Chapter 6

Motivation in Practice



Learning Objectives

After reading Chapter 6, you should be able to:

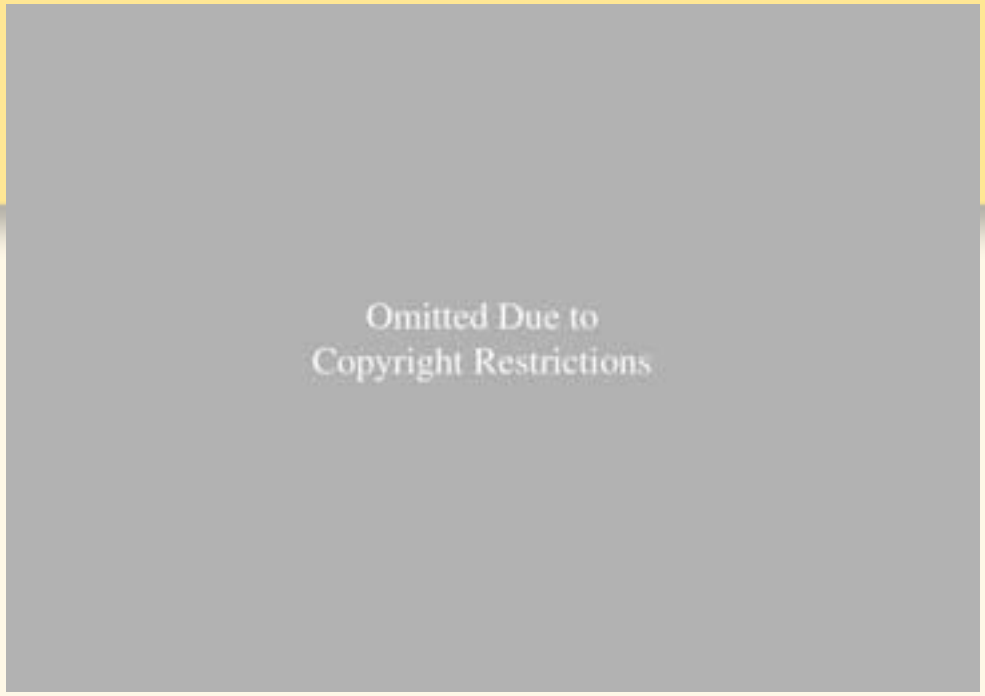
1. Discuss how to tie pay to performance on production jobs and the difficulties of *wage incentive plans*.
2. Explain how to tie pay to performance on white-collar jobs and the difficulties of *merit pay plans.*
3. Understand how to use pay to motivate teamwork.
4. Describe the details of the *Job Characteristics Model.*
5. Discuss the motivational properties of *job enrichment.*
6. Understand the connection between goal setting and *Management by Objectives.*
7. Explain how *alternative work schedules* respect employee diversity.
8. Describe the factors that organizations should consider when choosing motivational practices.

WestJet Airlines

Based on the principles and success of discount airlines in the United States like Dallas-based discount carrier Southwest Airlines Co., four Calgary entrepreneurs saw an opportunity to provide low fare air travel across Western Canada. So on February 29, 1996 with 220 employees and three aircraft, Calgary-based WestJet Airlines began operations charging only $118 for a return fare to Vancouver while the major airlines were charging up to $600.

Unlike major airlines, WestJet keeps costs down by using various cost-saving measures such as operating only with confirmation numbers rather than tickets; having no central booking and no meals in flight; and using only Boeing 737 aircraft, which are the cheapest aircraft to maintain. And while a full-service airline like Air Canada operates with more than 140 people per aircraft, WestJet operates with about 59 people per aircraft.

In its first 10 months of operation, the debt-free airline brought in $37.2-million in revenues while operating only three aircraft between Calgary, Vancouver, Kelowna, Winnipeg, and Edmonton. By 1998, revenues had grown to $125.8-million, more Western cities were added, the number of employees had doubled, and earnings grew from $870,000 to $6.5-million. WestJet was making money while its big competitors continued to record huge losses. In fact, it has consistently ranked as one of the most profitable airlines in North America. And since its initial public offering in 1999 of 2.5 million common shares, its share price has increased more than 240 percent.



WestJet has a motivational system that includes profit sharing and employee stock ownership plans and also provides employees with freedom and autonomy in how they perform their jobs. The company is one of the most profitable airlines in North America and one of the most respected companies in Canada.

In addition to its discount fares and low-cost operation, WestJet is also known for how it manages its employees. In order to motivate the workforce and align their interests with the interests of shareholders, the company has implemented a number of policies and programs. For example, WestJet has a generous profit sharing plan that is designed to encourage everyone to maximize profits. Employees share in profits that are equivalent to the company's profit margin, up to 20 percent. So if the airline's profit margin is 10 percent, then 10 percent of the net income is spread among employees (prorated to salary). "Profit Sharing Day" is held twice a year at which time cheques are handed out to employees. The company has handed out more than $8 million on such days with an average cheque of $9,000.

WestJet also has an employee stock ownership plan. Employees are encouraged to buy shares in the company and for every $1 a worker invests, the company matches it. Over 80 percent of the airline's employees are shareholders, and many of the original employees who invested in the company before it went public now have generous portfolios. In fact, some of WestJet's flight attendants have more than $400,000 in stock, and some of its pilots are millionaires.

In addition to profit sharing and employee stock ownership plans, WestJet also provides employees with a great deal of freedom and autonomy in their work. For example, workers are given a high degree of latitude to perform their jobs without interference from supervisors. Flight attendants are expected to serve customers in a caring, positive, and cheerful manner, but the rest is up to them. WestJet's cabin crews are famous for their in-flight antics such as singalongs, bowling with oranges, contests, playing games with passengers, and editorial commentary from the flight deck. WestJet employees make decisions about what they are doing and how they do it. They take ownership of their jobs.

In recent years, the company has added service to eastern Canadian cities and has created an eastern network with Hamilton as the hub. With its growing fleet of 737s, it plans to triple

its services to Toronto and add new planes and routes, WestJet has become the most successful low-cost carrier in Canadian history. In the first quarter of 2003, the company posted its twenty-fifth consecutive profitable quarter. For 2004, it has been estimated that revenue will top $1 billion. Despite the troubles of the volatile and uncertain airline industry, the company is viewed as a solid long-term investment. WestJet is also one of Canada's top 100 employers and the second-most-respected company in Canada. Perhaps it's not surprising that the company receives thousands of job applications every week![1]

Notice the motivational strategies that WestJet employs: a profit sharing plan, an employee stock ownership plan, and jobs that are designed to provide employees with freedom and autonomy as well as the opportunity to have a significant impact on the lives of customers and the organization. In this chapter, we will discuss four motivational techniques: money, job enrichment, Management by Objectives, and alternative working schedules. In each case, we will consider the practical problems that are involved in implementation. The chapter will conclude with a discussion of the factors that an organization needs to consider when choosing a motivational strategy.



"Because of my ridiculously low pay per course, I will only be able to give partial answers, vague suggestions, and half-truths. Okay--let's get started"

Money as a Motivator

The money that employees receive in exchange for organizational membership is in reality a package made up of pay and various fringe benefits that have dollar values, such as insurance plans, sick leave, and vacation time. Here, we shall be concerned with the motivational characteristics of pay itself.

According to Maslow and Alderfer, pay should prove especially motivational to people who have strong lower-level needs. For these people, pay can be exchanged for food, shelter, and other necessities of life. However, suppose you receive a healthy pay raise. Doubtless, this raise will enable you to purchase food and shelter, but it might also demonstrate that your boss cares about you, give you prestige among friends and family, and signal your competence as a worker. Thus, using need hierarchy terminology, pay can also function to satisfy social, self-esteem, and self-actualization needs. If pay has this capacity to fulfill a variety of needs, then it should have especially good potential as a motivator. How can this potential be realized? Expectancy theory provides the clearest answer to this question. According to expectancy theory, if pay can satisfy a variety of needs, it should be highly valent, and it should be a good motivator to the extent that *it is clearly tied to performance*.

At one time, pay incentives and rewards were reserved for those in upper management positions. However, organizations are increasingly adopting pay-for-performance programs that offer incentives to the entire workforce. Bonuses and incentives are making up an increasing proportion of employees' pay. For example, in Canada 70 percent of companies offer incentives, such as cash bonuses, lump sums, profit-sharing, and gainsharing, to nonmanagement employees. In the United States, approximately 34 percent of 383 major companies surveyed offer formal bonus plans to hourly workers, and nearly two-thirds do so for salaried employees.[2]

Research on financial incentives is consistent with the predictions of need theory and expectancy theory. Financial incentives and pay-for-performance plans have been found to increase performance and lower turnover. Thus, in North America at least, the research supports the motivational effects of pay.[3] However, is pay an effective motivator across cultures? To find out, see "Global Focus: *Bus Drivers in Singapore Receive Bonus for Safe Driving*."

Linking Pay to Performance on Production Jobs

Piece-rate. A pay system in which individual workers are paid a certain sum of money for each unit of production completed.

The prototype of all schemes to link pay to performance on production jobs is piece-rate. In its pure form, **piece-rate** is set up so that individual workers are paid a certain sum of money for each unit of production they complete. For example, sewing machine operators might be paid two dollars for each dress stitched, or punch press operators might be paid a few cents for each piece of metal fabricated. More common than pure piece-rate is a system whereby workers are paid a basic hourly wage and paid a piece-rate differential on top of this hourly wage. For example, a forge operator might be paid eight dollars an hour plus 30 cents for each unit he produces. In some cases, of course, it is very difficult to measure the productivity of an individual worker because of the nature of the production process. Under these circumstances, group incentives are sometimes employed. For example, workers in a steel mill might be paid an hourly wage and a monthly bonus for each ton of steel produced over some minimum quota. These various schemes to link pay to performance on production jobs are called **wage incentive plans.**

Wage incentive plans. Various systems that link pay to performance on production jobs.

Compared with straight hourly pay, the introduction of wage incentives usually leads to substantial increases in productivity.[4] One review reports a median productivity improvement of 30 percent following the installation of piece-rate pay, an increase not matched by goal setting or job enrichment.[5] Also, a study of 400 manufacturing companies found that those with wage incentive plans achieved 43 to 64 percent greater productivity than those without such plans.[6]

GLOBAL FOCUS

Bus Drivers in Singapore Receive Bonus for Safe Driving

Bus driver Fang Chain Poh is now $780 better off because he takes road safety very seriously. "When a passenger gets on my bus, it is my job to make sure he gets down in one piece and has a good journey. So I always get enough sleep to drive carefully," he said.

Mr. Fang, 37, who has 17 years of experience, is one of more than 4,700 or 88 percent of Singapore Bus Service drivers who received between $200 and $780 each for having maintained good safety records for a six-month period. A total of $3.5 million was given out in all.

This is the second time the Singapore Bus Service is giving out cash awards under the safe driving scheme that was introduced last year. For each week that a driver stays free of accidents and traffic offences, he gets $10. If he can keep it this way for six months, there is an additional bonus of $500 in store.

About 4,000 or 76 percent of the drivers qualified for the bonus this time, up 9 percentage points compared with the first six-month period. Singapore Bus Service chairman Hung Khim presented the cheque for $3.5 million to five drivers, chosen to represent each of the depots at the launch of the Safety Awareness for Excellence (SAFE) Week.

Mr. Fang, who also received the maximum amount of $780 the first time round, said: "Money or no money, bus drivers must always be careful when on the road. But, of course, the extra money is a good way to encourage drivers."

At the ceremony, Mr. Wong told the drivers that the accident rate for last year had fallen to 0.87 accidents for every 100,000 km travelled, compared with the previous rate of 0.95 the previous year. For the first five months of the current year, the number was 0.76 accidents for every 100,000 km.

"I do recognize that about two-thirds of the accidents involving our buses are caused by other road users. Having said that, many accidents are also a result of negligence, inattentiveness, or poor judgment on the part of our drivers," he said.

Source: Excerpted from Kaur, K. (1997, July 8). More than 4,700 SBS drivers get $3.5m for safe driving. *The Straits Times*, p. 3.

One of the best examples of the successful use of a wage incentive plan is the Lincoln Electric Company. Lincoln Electric is the world's largest producer of arc welding equipment, and it also makes electric motors. The company offers what some say are the best paid factory jobs in the world. The company uses an intricate piece-rate pay plan that rewards workers for what they produce. The firm has turned a handsome profit every quarter for over 50 years and has not laid anyone



Wage incentive programs that link pay to performance on production jobs have been shown to improve employee productivity.

off for over 40 years. Employee turnover is extremely low, and Lincoln workers are estimated to be roughly twice as productive as other manufacturing workers.[7] Other companies that use wage incentive plans include Steelcase, the Michigan manufacturer of office furniture, and Nucor, a steel producer. However, not as many organizations use wage incentives as we might expect. What accounts for this relatively low utilization of a motivational system that has proven results?[8]

Potential Problems with Wage Incentives

Despite their theoretical and practical attractiveness, wage incentives have some potential problems when they are not managed with care.

Lowered Quality. It is sometimes argued that wage incentives can increase productivity at the expense of quality. While this may be true in some cases, it does not require particular ingenuity to devise a system to monitor and maintain quality in manufacturing. However, the quality issue can be a problem when employers use incentives to motivate faster "people processing," such as conducting consumer interviews on the street or in stores. Here, quality control is more difficult.

Differential Opportunity. A threat to the establishment of wage incentives exists when workers have different opportunities to produce at a high level. If the supply of raw materials or the quality of production equipment varies from workplace to workplace, some workers will be at an unfair disadvantage under an incentive system. In expectancy theory terminology, workers will differ in the expectancy that they can produce at a high level.

Reduced Cooperation. Wage incentives that reward individual productivity might decrease cooperation among workers. For example, to maintain a high wage rate, machinists might hoard raw materials or refuse to engage in peripheral tasks, such as keeping the shop clean or unloading supplies. Consider what happened when Solar Press, an Illinois printing and packaging company, installed a team wage incentive.

> It wasn't long before both managers and employees began to spot problems. Because of the pressure to produce, teams did not perform regular maintenance on the equipment, so machines broke down more often than before. When people found better or faster ways to do things, some hoarded them from fellow employees for fear of reducing the amount of their own payments. Others grumbled that work assignments were not fairly distributed, that some jobs demanded more work than others. They did, but the system did not take this into account.[9]

Incompatible Job Design. In some cases, the way jobs are designed can make it very difficult to install wage incentives. On an assembly line, it is almost impossible to identify and reward individual contributions to productivity. As pointed out above, wage incentive systems can be designed to reward team productivity in such a circumstance. However, as the size of the team *increases,* the relationship between any individual's productivity and his or her pay *decreases.* For example, the impact of your productivity in a team of two is much greater than the impact of this productivity in a team of 10—as team size increases, the linkage between your performance and your pay is erased, removing the intended incentive effect.

Restriction of Productivity. A chief psychological impediment to the use of wage incentives is the tendency for workers to restrict productivity. This restriction is illustrated graphically in Exhibit 6.1. Under normal circumstances, without wage incentives, we can often expect productivity to be distributed in a "bell-shaped" manner—a few workers are especially low producers, a few are especially high producers, and most produce in the middle range. When wage incentives are intro-

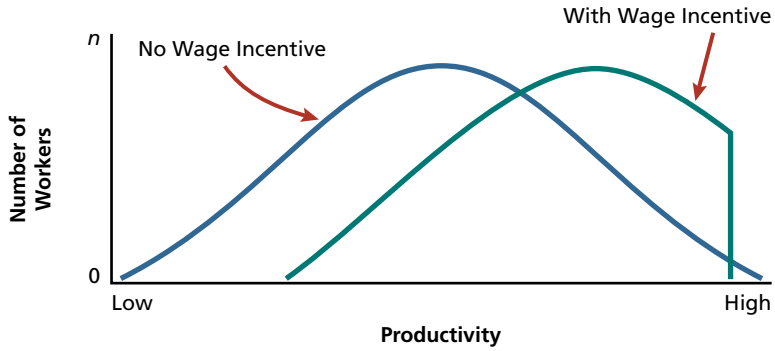


Exhibit 6.1
Hypothetical productivity distributions, with and without wage incentives, when incentives promote restriction.

duced, however, workers sometimes come to an informal agreement about what constitutes a fair day's work and artificially limit their output accordingly. In many cases, this **restriction of productivity** can decrease the expected benefits of the incentive system, as in Exhibit 6.1.

Restriction of productivity. The artificial limitation of work output that can occur under wage incentive plans.

Why does restriction often occur under wage incentive systems? Sometimes it happens because workers feel that increased productivity due to the incentive will lead to reductions in the workforce. More frequently, however, employees fear that if they produce at an especially high level, an employer will reduce the rate of payment to cut labour costs. In the early days of industrialization, when unions were nonexistent or weak, this happened. Engineers studied workers under normal circumstances, and management would set a payment rate for each unit of productivity. When management introduced the incentive system, workers employed legitimate shortcuts that they had learned on the job to produce at a higher rate than expected. In response to this, management simply changed the rate to require more output for a given amount of pay! Stories of such rate-cutting are often passed down from one generation of workers to another in support of restricting output under incentive systems. As you might expect, restriction seems less likely when a climate of trust and a history of good relations exist between employees and management.

Linking Pay to Performance on White-Collar Jobs

Compared with production jobs, white-collar jobs (including clerical, professional, and managerial) frequently offer fewer objective performance criteria to which pay can be tied. To be sure, company presidents are often paid annual bonuses that are tied to the profitability of the firm, and salespeople are frequently paid commissions on sales. However, trustworthy objective indicators of individual performance for the majority of white-collar jobs are often difficult to find. Thus, performance in many such jobs is evaluated by the subjective judgment of the performer's manager.

Merit pay plans. Systems that attempt to link pay to performance on white-collar jobs.

Attempts to link pay to performance on white-collar jobs are often called **merit pay plans**. Just as straight piece-rate is the prototype for most wage incentive plans, there is also a prototype for most merit pay plans: Periodically (usually yearly), managers are required to evaluate the performance of employees on some form of rating scale or by means of a written description of performance. Using these evaluations, the managers then recommend that some amount of merit pay be awarded to individuals over and above their basic salaries. This pay is usually incorporated into the subsequent year's salary cheques. Since the indicators of good performance on some white-collar jobs (especially managerial jobs) can be unclear or highly subjective, merit pay can provide an especially tangible signal that the organization considers an employee's performance "on track."

Individuals who see a strong link between rewards and performance tend to perform better.[10] In addition, white-collar workers (especially managers) particularly support the notion that performance should be an important determinant of pay.[11]

Thus, merit pay plans are employed with a much greater frequency than wage incentive plans.

Merit pay has become one of the most common forms of motivation in Canadian organizations.[12] However, despite the fact that merit pay can stimulate effective performance, that substantial support exists for the idea of merit pay, and that most organizations claim to provide merit pay, it appears that many of these systems now in use are *ineffective*. Many individuals who work under such plans do not perceive a link between their job performance and their pay. There is also evidence that pay is, in fact, *not* related to performance under some merit plans.[13] Adding more evidence of ineffectiveness are studies that track pay increases over time. For example, one study of managers showed that pay increases in a given year were often uncorrelated with pay increases in adjacent years.[14] From what we know about the consistency of human performance, such a result seems unlikely if organizations are truly tying pay to performance. In most organizations, seniority, number of employees, and job level account for more variation in pay than performance does. Perhaps it is not surprising then that there has been an increasing number of bonus disputes over unpaid or underpaid bonuses that are winding up in the courts.[15]

Potential Problems with Merit Pay Plans

As with wage incentive plans, merit pay plans have several potential problems if employers do not manage them carefully. Before continuing, read the You Be the Manager feature.

Low Discrimination. One reason that many merit pay plans fail to achieve their intended effect is that managers might be unable or unwilling to discriminate between good performers and poor performers. In Chapter 3, we pointed out that subjective evaluations of performance can be difficult to make and are often distorted by a number of perceptual errors. In the absence of performance rating systems designed to control these problems, managers might feel that the only fair response is to rate most employees as equal performers. Good rating systems are rarely employed. Surveys show consistent dissatisfaction with both giving and receiving performance evaluations.[16] Even when managers feel capable of clearly discriminating between good and poor performers, they might be reluctant to do so. If the performance evaluation system does not assist the manager in giving feedback about his or her decisions to employees, the equalization strategy might be employed to prevent conflicts with them or among them. If there are true performance differences among employees, equalization overrewards poorer performers and underrewards better performers.[17]

Small Increases. A second threat to the effectiveness of merit pay plans exists when merit increases are simply too small to be effective motivators. In this case, even if rewards are carefully tied to performance and managers do a good job of discriminating between more and less effective performers, the intended motivational effects of pay increases might not be realized. Ironically, some firms all but abandon merit when inflation soars or when they encounter economic difficulties. Just when high motivation is needed, the motivational impact of merit pay is removed. Sometimes a reasonable amount of merit pay is provided, but its motivational impact is reduced because it is spread out over a year or because the organization fails to communicate how much of a raise is for merit and how much is for cost of living. To overcome this visibility problem, some firms have replaced conventional merit pay with a **lump sum bonus** that is paid out all at one time and not built into base pay. Such bonuses get people's attention!

Lump sum bonus. Merit pay that is awarded in a single payment and not built into base pay.

When merit pay makes up a substantial portion of the compensation package, management has to take extreme care to ensure that it ties the merit pay to perfor-

You Be the Manager

Employees Oppose Merit Pay Plan at Hudson's Bay Company



Employees at five Ontario stores went on strike after the HBC announced plans to introduce a merit pay system.

In August of 2002, Hudson's Bay Co. (HBC) reported a 65-percent drop in quarterly profit. At the same time, the company planned to introduce "an enhanced pay-for-performance program" to improve service and make more sales.

The merit pay system was designed to reward employees who worked hard while raising productivity at the stores. According to HBC's senior vice-president of human resources, "It was designed to increase sales by giving better service to our customers." He also said that it was not designed to cut labour costs or cut wages. "It will not result in any wage reductions for associates."

However, employees did not agree. More than 800 sales and clerical workers went on strike at five Ontario stores of the Bay department store chain. National CAW union representative Bill Gibson said that "The Bay is trying to turn back the labour relations clock some 25 years," citing attempts to replace traditional progressive wage scales with a merit pay system based on favouritism and profit margins.

A spokesperson for the CAW said this was one of the first times that union members have struck a Canadian department store. The retail workers union struck Eaton's in the early 1980s which resulted in a long and bitter strike that lasted for months.

The strike at HBC came at a difficult time for the company. It reported a sharp drop in profit in the quarter ending July 31, a performance it blamed on poor weather in the crucial spring fashion season and poor margins when the unsold spring fashions were sold off at a discount in July. Analysts also pointed to tough competition with Wal-Mart Canada Inc., which has taken a hefty slice of business away from HBC's Zellers division.

What do you think HBC should do about the new merit pay plan? You be the manager.

Questions

1. Why do you think HBC employees opposed the merit pay plan?
2. What do you think HBC should do? Is the merit pay plan a good approach for motivating employees and improving service and sales?

To find out why employees revolted and what HBC did, see The Manager's Notebook at the end of the chapter.

Source: Bertin, O. (2002, August 30). Workers strike five Bay stores. *The Globe and Mail*, p. B5. Reprinted with the permission of *The Globe and Mail.*

mance criteria that truly benefit the organization. Otherwise, employees could be motivated to earn their yearly bonus at the expense of long-term organizational goals.

Pay Secrecy. A final threat to the effectiveness of merit pay plans is the extreme secrecy that surrounds salaries in most organizations. It has long been a principle of human resource management that salaries are confidential information, and management frequently implores employees who receive merit increases not to discuss these increases with their co-workers. Notice the implication of such secrecy for merit pay plans: Even if merit pay is administered fairly, is contingent on performance, and is generous, employees might remain ignorant of these facts because they have no way of comparing their own merit treatment with that of others. As a consequence, such secrecy might severely damage the motivational impact of a well-designed merit plan. Rather incredibly, many organizations fail to inform employees about the average raise received by those doing similar work.

Given this extreme secrecy, you might expect that employees would profess profound ignorance about the salaries of other organizational members. In fact, this is not true—in the absence of better information, employees are inclined to "invent" salaries for other members. Unfortunately, this invention seems to reduce both satisfaction and motivation. Specifically, several studies have shown that managers have a tendency to overestimate the pay of their employees and their peers and to underestimate the pay of their superiors (see Exhibit 6.2).[18] In general, these tendencies will reduce satisfaction with pay, damage perceptions of the linkage between performance and rewards, and reduce the valence of promotion to a higher level of management.

An interesting experiment examined the effects of pay disclosure on the performance and satisfaction of pharmaceutical salespeople who operated under a merit pay system.

> At the time of a regularly scheduled district sales meeting, each of the 14 managers in the experimental group presented to his/her employees the new open salary administration program. The sales staff were given the individual low, overall average, and individual high merit raise amounts for the previous year. The raises ranged from no raise to $75 a month, with a company average of $43. Raises were classified according to district, region, and company increases in pay. Likewise, salary levels (low, average, and high) were given for sales staff on the basis of their years with the company (1 to 5; 5 to 10; 10 to 20; and more than 20 years). Specific individual names and base salaries were not disclosed to the sales staff. However, this information could be obtained from the supervisor. Each person's performance evaluation was also made available by the district manager for review by his/her other sales staff.[19]

After the pay disclosure was implemented, the sales staff in the experimental group revealed significant increases in performance and satisfaction with pay. However, since performance consisted of supervisory ratings, it is possible that supervisors felt pressured to give better ratings under the open pay system, in which their actions were open to scrutiny. This, of course, raises an important point. If performance evaluation systems are inadequate and poorly justified, a more open pay policy will simply expose the inadequacy of the merit system and lead managers to evaluate performance in a manner that reduces conflict. Unfortunately, this might be why most organizations maintain relative secrecy concerning pay. One exception is Next Computers, which has a completely open salary system. Although many public and civil service jobs have open pay systems, most make little pretence of paying for performance.

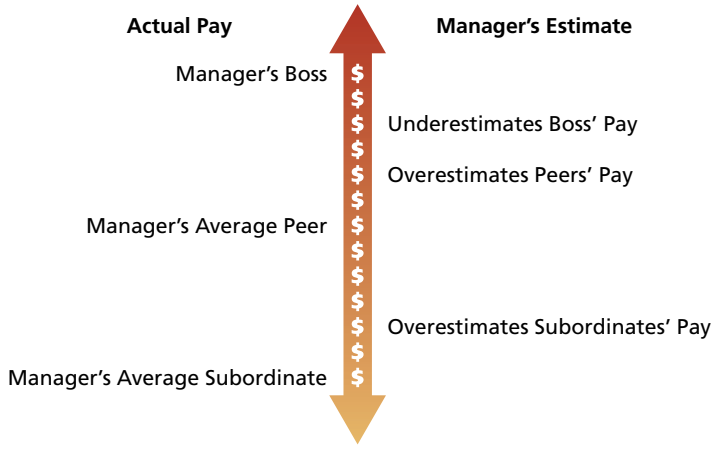


Exhibit 6.2
A manager's estimates of pay earned by boss, peers, and subordinates.

Using Pay to Motivate Teamwork

Some of the dysfunctional aspects of wage incentives and merit pay stem from their highly individual orientations. People sometimes end up pursuing their own agendas (and pay) at the expense of the goals of their work group, department, or organization. As a result, some firms have either replaced or supplemented individual incentive pay with plans designed to foster more cooperation and teamwork.[20] Notice that each of the plans we discuss below has a somewhat different motivational focus. Organizations have to choose pay plans that support their strategic needs.

Profit sharing. The return of some company profit to employees in the form of a cash bonus or a retirement supplement.

Profit Sharing. **Profit sharing** is one of the most commonly used group-oriented incentive systems. In years in which the firm makes a profit, some of this is returned to employees in the form of a bonus, sometimes in cash and sometimes in a deferred retirement fund. Such money is surely welcome, and it might reinforce some identification with the organization. This is of course exactly what happens at WestJet, as described in the chapter-opening vignette. However, it is unlikely that profit sharing, as normally practised, is highly motivational. Its greatest problem is that too many factors beyond the control of the workforce (such as the general economy) can affect profits no matter how well people perform their jobs. Also, in a large firm, it is difficult to see the impact of one's own actions on profits. For example, for two years after Chrysler Corporation's first profit-sharing payment, the company made no payments. And with a workforce of 63,000, one's impact on profits would be completely obscure.

Profit sharing seems to work best in smaller firms that regularly turn a handsome profit. WestJet is of course a perfect example of this. The company is small and has been profitable for 25 consecutive quarters.

Employee stock ownership plans (ESOPs). Incentive plans that allow employees to own a set amount of a company's shares and provide employees with a stake in the company's future earnings and success.

Employee Stock Ownership Plans (ESOPs). In recent years, **employee stock ownership plans** (**ESOPs**) have also become a popular group-oriented incentive. These plans allow employees to own a set amount of the company's shares. Employees are often allowed to purchase shares at a fixed price and some organizations like WestJet match employee contributions. ESOPs provide employees with a stake in a company's future earnings and success. They also serve a number of other purposes including attracting and retaining talent; motivating employee performance; focusing employee attention on organizational performance; creating a culture of ownership; educating employees about the business; and conserving cash by substituting options for cash.[21]

As indicated in Chapter 5, a key part of Starbucks' motivational program is its "bean stock" program. In fact, Starbucks was one of the first service companies to offer stock options to all employees, from top management on down. In Canada, many of the best companies to work for, such as WestJet, offer stock options to a majority of their employees. For example, at the Royal Bank of Canada, 85 percent of employees are enrolled in a share ownership plan that matches 50 cents for every dollar an employee invests up to 6 percent of their salary. At PCI Constructors in Edmonton, only employees are permitted to own company stocks.[22] Husky Injection Molding Systems Ltd. has a share-purchasing plan in which approximately 25 percent of the company's shares are held by employees. Employees at Husky can earn company shares by doing things that help the environment and community. At Hudson's Bay Company, employees receive $1 worth of company shares for every $6 they invest, an immediate return of 17 percent.[23]

Employee stock options are believed to increase employees' loyalty and motivation because they align employees' goals and interests with those of the organization and create a sense of legal and psychological ownership. There is some evidence that ESOPs can improve employee retention and profitability.[24] However, like profit sharing, these programs work best in small organizations that regularly turn a profit. In larger organizations it is more difficult for employees to see the connection

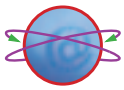
between their efforts and company profits because many factors can influence the value of a company's stock besides employee effort and performance. In addition, ESOPs lose their motivational potential in a weak economy when a company's share price goes down.

Gainsharing. A group pay incentive plan based on productivity or performance improvements over which the workforce has some control.

Gainsharing. **Gainsharing** plans are group incentive plans that are based on improved productivity or performance over which the workforce has some control.[25] Such plans often include reductions in the cost of labour, material, or supplies. When measured costs decrease, the company pays a monthly bonus according to a predetermined formula that shares this "gain" between employees and the firm. For example, a plan installed by Canadian pulp and paper producer Fraser, Inc. rewards employees for low scrap and low steam usage during production. The plan sidesteps the cost of steam generation and the international price for paper, things over which the workforce lacks control.[26]

Gainsharing plans have usually been installed using committees that include extensive workforce participation. This builds trust and commitment to the formulas that are used to convert gains into bonuses. Also, most plans include all members of the work unit, including production people, managers, and support staff.

The most common gainsharing plan is the Scanlon Plan, developed by union leader Joe Scanlon in the 1930s.[27] The plan stresses participatory management and joint problem solving between employees and managers, but it also stresses using the pay system to reward employees for this cooperative behaviour. Thus, pay is used to align company and employee goals. The Scanlon Plan has been used successfully by many small, family-owned manufacturing firms. Also, in recent years, many large corporations (e.g., General Electric, Motorola, Carrier, Dana) have installed Scanlon-like plans in some manufacturing plants.[28] The turnaround of the motorcycle producer Harley-Davidson is, in part, attributed to the institution of gainsharing. In general, productivity improvements following the introduction of Scanlon-type plans support the motivational impact of this group wage incentive.[29] However, perception that the plan is fair is critical.[30]



Harley-Davidson
www.harley-davidson.com

Skill-based pay. A system in which people are paid according to the number of job skills they have acquired.

Skill-Based Pay. The idea behind **skill-based pay** (also called pay for knowledge) is to motivate employees to learn a wide variety of work tasks, irrespective of the job that they might be doing at any given time. The more skills that are acquired, the higher the person's pay.[31] Companies use skill-based pay to encourage employee flexibility in task assignments and to give them a broader picture of the work process. It is especially useful on self-managed teams (Chapter 7), in which employees divide up the work as they see fit. It is also useful in flexible manufacturing (Chapter 15), in which rapid changes in job demands can occur. Quebec's Bell Helicopter Textron plant uses skill-based pay for its aircraft assemblers to enhance their flexibility.

Training costs can be high with a skill-based pay system. Also, when the system is in place, it has to be used. Sometimes, managers want to keep employees on a task they are good at rather than letting them acquire new skills. However, skill-based programs can have positive consequences. A recent study on the effects of a skill-based pay system in a large organization that manufactures vehicle safety systems reported an increase in productivity, lower labour costs per part, and a reduction in scrap following implementation of a skill-based pay program.[32]

Exhibit 6.3 compares the various pay plans that organizations use to motivate teamwork.



At Quebec's Bell Helicopter Textron plant, skill-based pay encourages flexibility in the aircraft assemblers' work assignments and provides them with an overall picture of the work process.

Bell Helicopter Textron
www.bellhelicopter.textron.com

Exhibit 6.3
Characteristics of team-oriented incentive plans.

Source: Perry, N. J. (1988, December 19). Here come richer, riskier pay plans. *Fortune*, 50–58, p. 52.

PLAN TYPE	HOW IT WORKS	WHAT IT REQUIRES TO BE EFFECTIVE	ADVANTAGES	DISADVANTAGES
Profit sharing and employee stock ownership	Employees receive a varying annual bonus based on corporate profits and/or can purchase a certain amount of the company's shares. Payments can be made in cash or deferred into a retirement fund.	• Participating employees collectively must be able to influence profits. • Owners must value employees' contributions enough to be willing to share profits and ownership.	• The incentive formula is simple and easy to communicate. • The plan is guaranteed to be affordable: It pays only when the firm is sufficiently profitable. • It unites the financial interests of owners and employees.	• Annual payments may lead employers to ignore long-term performance. • Factors beyond the employee's control can influence profits. • The plan forces private companies to open their books.
Gainsharing	When a unit beats predetermined performance targets, all members get bonuses. Objectives often include better productivity, quality, and customer service.	• Objectives must be measurable. • Management must encourage employee involvement. • Employees must have a high degree of trust in management.	• The plan enhances coordination and teamwork. • Employees learn more about the business and focus on objectives. • Employees work harder and smarter.	• Plans that focus only on productivity may lead employees to ignore other important objectives, such as quality. • The company may have to pay bonuses even when unprofitable.
Skill-based pay	An employee's salary or wage rises with the number of tasks he or she can do, regardless of the job performed.	• Skills must be identified and assigned a pay grade. • The company must have well-developed employee assessment and training procedures.	• By increasing flexibility, the plan lets the company operate with a leaner staff. • The plan gives workers a broader perspective, making them more adept at problem solving.	• Most employees will learn all applicable skills, raising labour costs. • Training costs are high.

Job Design as a Motivator

If the use of money as a motivator is primarily an attempt to capitalize on extrinsic motivation, current approaches to using job design as a motivator represent an attempt to capitalize on intrinsic motivation. In essence, the goal of job design is to identify the characteristics that make some tasks more motivating than others and to capture these characteristics in the design of jobs.

Traditional Views of Job Design

From the advent of the Industrial Revolution until the 1960s, the prevailing philosophy regarding the design of most nonmanagerial jobs was job simplification. The historical roots of job simplification are found in social, economic, and technological forces that existed even before the Industrial Revolution. This preindustrial period was characterized by increasing urbanization and the growth of a free market economy, which prompted a demand for manufactured goods. Thus, a division of labour within society occurred, and specialized industrial concerns, using newly developed machinery, emerged to meet this demand. With complex machinery and an uneducated, untrained work force, these organizations recognized that *specialization* was the key to efficient productivity. If the production of an object could be broken down into very basic, simple steps, even an uneducated and minimally trained worker could contribute his or her share by mastering one of these steps.

The zenith of job simplification occurred in the early 1900s when industrial engineer Frederick Winslow Taylor presented the industrial community with his principles of Scientific Management.[33] From Chapter 1, you will recall that Taylor advocated extreme division of labour and specialization, even extending to the specialization of supervisors in roles such as trainer, disciplinarian, and so on. Also, he advocated careful standardization and regulation of work activities and rest pauses. Intuitively, jobs designed according to the principles of scientific management do not seem intrinsically motivating. The motivational strategies that management used during this period consisted of close supervision and the use of piece-rate pay. It would be a historical disservice to conclude that job simplification was unwelcomed by workers, who were mostly nonunionized, uneducated, and fighting to fulfill their basic needs. Such simplification helped them to achieve a reasonable standard of living. However, in recent years, with a better-educated workforce whose basic needs are fairly well met, behavioural scientists have begun to question the impact of job simplification on performance, customer satisfaction, and the quality of working life.

Job Scope and Motivation

Job scope can be defined as the breadth and depth of a job.[34] Breadth refers to the number of different activities performed on the job, while depth refers to the degree of discretion or control the worker has over how these tasks are performed. "Broad" jobs require workers to *do* a number of different tasks, while "deep" jobs emphasize freedom in *planning* how to do the work.

As shown in Exhibit 6.4, jobs that have great breadth and depth are called high-scope jobs. A professor's job is a good example of a high-scope job. It is broad because it involves the performance of a number of different tasks, such as teaching, grading, doing research, writing, and participating in committees. It is also deep because there is considerable discretion in how academics perform these tasks. In general, professors have a fair amount of freedom to choose a particular teaching style, grading format, and research area. Similarly, management jobs are high-scope jobs. Managers perform a wide variety of activities (supervision, training, performance evaluation, report writing) and have some discretion over how they accomplish these activities.



In his classic film *Modern Times*, Charlie Chaplin performed a typical low-scope job working on an assembly line.

The classic example of a low-scope job is the traditional assembly line job. This job is both "shallow" and "narrow" in the sense that a single task (such as bolting on car wheels) is performed repetitively and ritually, with no discretion as to method. Traditional views of job design were attempts to construct low-scope jobs in which workers specialized in a single task.

Occasionally, we encounter jobs that have high breadth but little depth, or vice versa. For motivational purposes, we can also consider these jobs to be relatively low in scope. For example, a utility worker on an assembly line fills in for absent workers on various parts of the line. While this job involves the performance of a number of tasks, it involves little discretion as to when or how the worker performs the tasks. On the other hand, some jobs involve a fair amount of discretion over a single, narrowly defined task. For example, quality control inspectors perform a single, repetitive task, but they might be required to exercise a fair degree of judgment in performing this task. Similarly, workers who monitor the performance of equipment (such as in a nuclear power plant) might perform a single task but again be required to exercise considerable discretion when a problem arises.

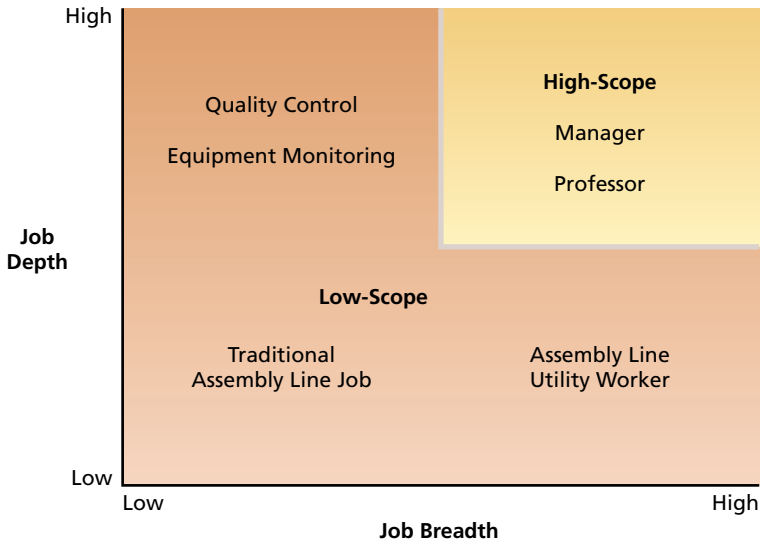


Exhibit 6.4
Job scope as a function of job depth and job breadth.

The motivational theories we discussed in the previous chapter suggest that high-scope jobs (*both* broad and deep) should provide more intrinsic motivation than low-scope jobs. Maslow's need hierarchy and ERG theory both seem to indicate that people can fulfill higher-order needs by the opportunity to perform high-scope jobs. Expectancy theory suggests that high-scope jobs can provide intrinsic motivation if the outcomes derived from such jobs are attractive.

The Job Characteristics Model

The concept of job scope provides an easy-to-understand introduction to why some jobs seem more intrinsically motivating than others. However, we can find a more rigorous delineation of the motivational properties of jobs in the Job Characteristics Model that J. Richard Hackman and Greg Oldham developed (Exhibit 6.5).[35] As you can observe, the Job Characteristics Model proposes that there are several "core" job characteristics that have a certain psychological impact on workers. In turn, the psychological states induced by the nature of the job lead to certain outcomes that are relevant to the worker and the organization. Finally, several other factors (moderators) influence the extent to which these relationships hold true.

Core Job Characteristics. The Job Characteristics Model shows that there are five core job characteristics that have particularly strong potential to affect worker motivation: skill variety, task identity, task significance, autonomy, and job feedback. These characteristics are described in detail in Exhibit 6.6. In general, higher levels of these characteristics should lead to the favourable outcomes shown in

Exhibit 6.5
The Job Characteristics Model.

Source: Hackman, J. R., & Oldham, G. R. (1980). *Work redesign*. Reading, MA: Addison-Wesley. Copyright © 1980 by Addison-Wesley Publishing Company. Figure 4.6. Reprinted with permission of the publisher.

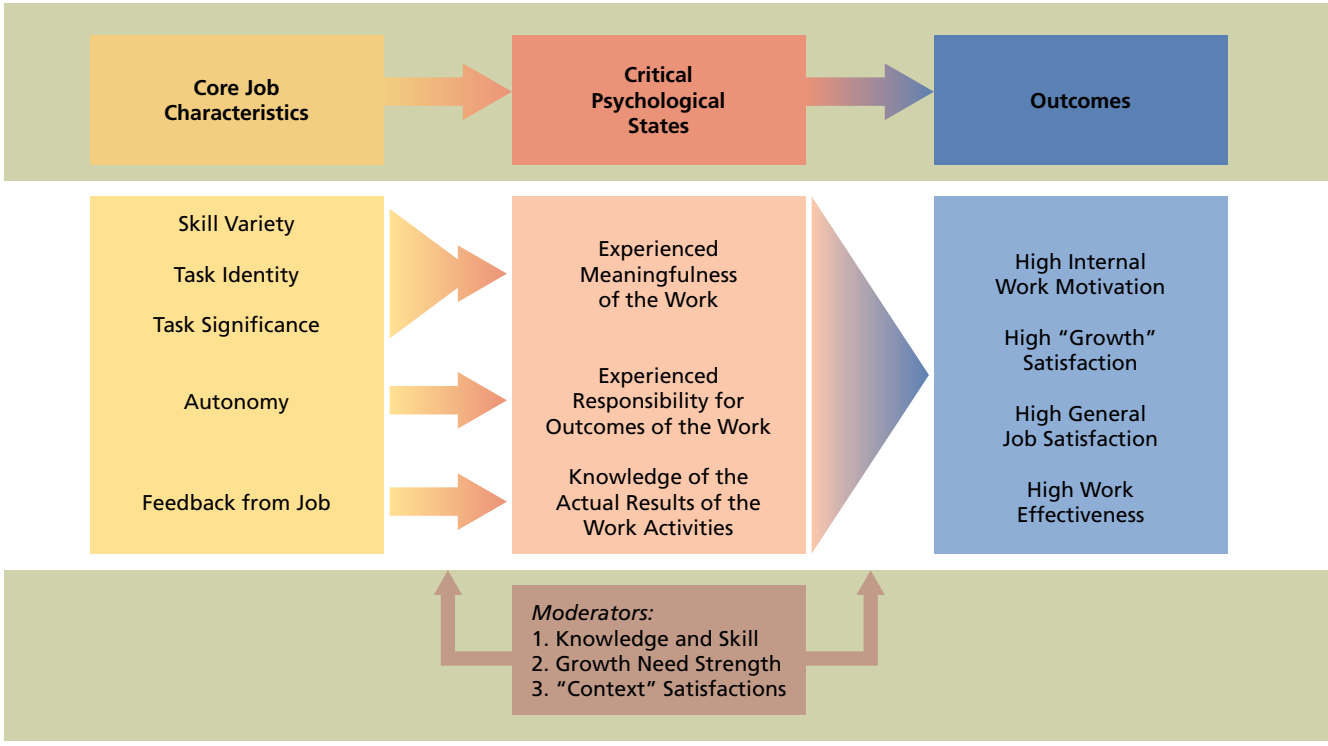


Exhibit 6.5. Notice that **skill variety**, the opportunity to do a variety of job activities using various skills and talents, corresponds fairly closely to the notion of job breadth we discussed earlier. **Autonomy**, the freedom to schedule one's own work activities and decide work procedures, corresponds to job depth. However, Hackman and Oldham recognized that one could have a high degree of control over a variety of skills that were perceived as meaningless or fragmented. Thus, the concepts of task significance and task identity are introduced. **Task significance** is the impact that a job has on others. **Task identity** is the extent to which a job involves doing a complete piece of work, from beginning to end. In addition, they recognized that **feedback**, information about one's performance effectiveness, is also essential for high intrinsic motivation. People are not motivated for long if they do not know how well they are doing.

Skill variety. The opportunity to do a variety of job activities using various skills and talents.

Autonomy. The freedom to schedule one's own work activities and decide work procedures.

Task significance. The impact that a job has on other people.

Task identity. The extent to which a job involves doing a complete piece of work, from beginning to end.

Feedback. Information about the effectiveness of one's work performance.

Hackman and Oldham developed a questionnaire called the Job Diagnostic Survey (JDS) to measure the core characteristics of jobs. The JDS requires job holders to report the amount of the various core characteristics contained in their jobs. From these reports, we can construct profiles to compare the motivational properties of various jobs. For example, Exhibit 6.7 shows JDS profiles for lower-level managers in a utility company (collected by one of the authors) and those for keypunchers in another firm (reported by Hackman and Oldham). While the managers perform a full range of managerial duties, the keypunchers perform a highly regulated job—anonymous work from various departments is assigned to them by

1. Skill variety: The degree to which a job requires a variety of different activities in carrying out the work, involving the use of a number of different skills and talents of the person.
High variety: The owner-operator of a garage who does electrical repair, rebuilds engines, does body work, and interacts with customers.
Low variety: A body shop worker who sprays paint eight hours a day.

2. Task identity: The degree to which a job requires completion of a "whole" and identifiable piece of work, that is, doing a job from beginning to end with a visible outcome.
High identity: A cabinet maker who designs a piece of furniture, selects the wood, builds the object, and finishes it to perfection.
Low identity: A worker in a furniture factory who operates a lathe solely to make table legs.

3. Task significance: The degree to which a job has substantial impact on the lives of other people, whether those people are in the immediate organization or in the world at large.
High significance: Nursing the sick in a hospital intensive care unit.
Low significance: Sweeping hospital floors.

4. Autonomy: The degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and determining the procedures to be used in carrying it out.
High autonomy: A telephone installer who schedules his or her own work for the day, makes visits without supervision, and decides on the most effective techniques for a particular installation.
Low autonomy: A telephone operator who must handle calls as they come according to a routine, highly specified procedure.

5. Job feedback: The degree to which carrying out the work activities required by the job provides the individual with direct and clear information about the effectiveness of his or her performance.
High feedback: An electronics factory worker who assembles a radio and then tests it to determine if it operates properly.
Low feedback: An electronics factory worker who assembles a radio and then routes it to a quality control inspector who tests it for proper operation and makes needed adjustments.

Exhibit 6.6
Core job characteristics and example.

Source: Definitions from Hackman, J. R., & Oldham, G. R. (1980). The properties of motivating jobs. *Work redesign*. Reading, MA: Addison-Wesley. Copyright © 1980 by Addison-Wesley Publishing Company, Reading, Massachusetts. Reprinted with permission of the publisher. Examples by authors.

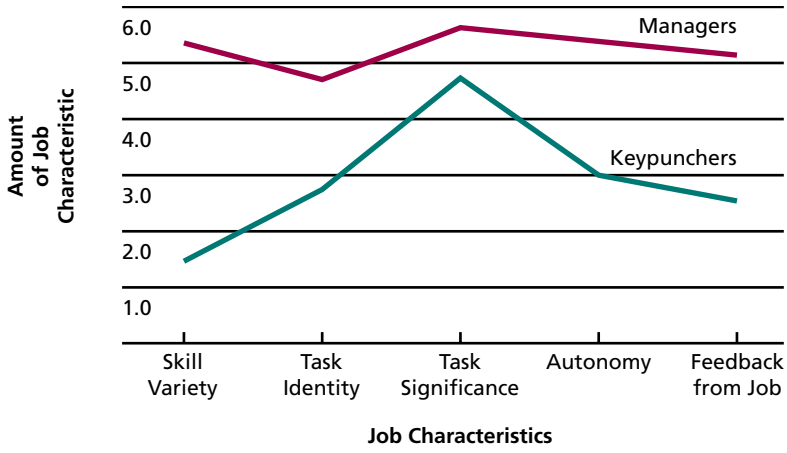


Exhibit 6.7
Levels of core job characteristics for managers and keypunchers.

Source: Hackman, J. R., & Oldham, G. R. (1980). *Work redesign*. Reading, MA: Addison-Wesley. Copyright © 1980 by Addison-Wesley Publishing Company. Figure 6.2. Reprinted with permission of the publisher. (Managers' data collected by Gary Johns.)

a supervisor, and their output is verified for accuracy by others. Not surprisingly, the JDS profiles reveal that the managerial jobs are consistently higher on the core characteristics than are the keypunching jobs.

According to Hackman and Oldham, an overall measure of the motivating potential of a job can be calculated by the following formula:

$$\text{Motivating potential score} = \frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3} \times \text{Autonomy} \times \text{Job feedback}$$

Since the JDS measures the job characteristics on seven-point scales, a motivating potential score could theoretically range from 1 to 343. For example, the motivating potential score for the keypunchers' jobs shown in Exhibit 6.7 is 20, while that for the managers' jobs is 159. Thus, the managers are more likely than the keypunchers to be motivated by the job itself. The average motivating potential score for 6,930 employees on 876 jobs has been calculated at 128.[36]

Critical Psychological States. Why should jobs that are higher on the core characteristics be intrinsically motivating? What is their psychological impact? Hackman and Oldham argue that work will be intrinsically motivating when it is perceived as *meaningful*, when the worker feels *responsible* for the outcomes of the work, and when the worker has *knowledge* about his or her work progress. As shown in Exhibit 6.5, the Job Characteristics Model proposes that the core job characteristics affect meaningfulness, responsibility, and knowledge of results in a systematic manner. When an individual uses a variety of skills to do a "whole" job that is perceived as significant to others, he or she perceives the work as meaningful. When a person has autonomy to organize and perform the job as he or she sees fit, the person feels personally responsible for the outcome of the work. Finally, when the job provides feedback about performance, the worker will have knowledge of the results of this opportunity to exercise responsibility.

Outcomes. The presence of the critical psychological states leads to a number of outcomes that are relevant to both the individual and the organization. Chief among these is high intrinsic motivation. When the worker is truly in control of a challenging job that provides good feedback about performance, the key prerequisites for intrinsic motivation are present. The relationship between the work and the worker is emphasized, and the worker is able to draw motivation from the job itself. This will result in high-quality productivity. By the same token, workers will report satisfaction with higher-order needs (growth needs) and general satisfaction with the

job itself. This should lead to reduced absenteeism and turnover. In fact, the results of one study indicated that job characteristics predicted absenteeism up to 6 years after the job characteristics were assessed. Among the five job characteristics, skill variety, task identity, and autonomy were negatively and consistently related to absenteeism.[37]

Moderators. Hackman and Oldham recognize that jobs that are high in motivating potential do not *always* lead to favourable outcomes. Thus, as shown in Exhibit 6.5, they propose certain moderator or contingency variables (Chapter 1) that intervene between job characteristics and outcomes. One of these is the job-relevant knowledge and skill of the worker. Put simply, workers with weak knowledge and skills should not respond favourably to jobs that are high in motivating potential, since such jobs will prove too demanding. Another proposed moderator is **growth need strength**, which refers to the extent to which people desire to achieve higher-order need satisfaction by performing their jobs. Hackman and Oldham argue that those with high growth needs should be most responsive to challenging work. Finally, they argue that workers who are dissatisfied with the context factors surrounding the job (such as pay, supervision, and company policy) will be less responsive to challenging work than those who are reasonably satisfied with context factors.

Growth need strength. The extent to which people desire to achieve higher-order need satisfaction by performing their jobs.

In tests of the Job Characteristics Model, researchers usually require workers to describe their jobs by means of the JDS and then measure their reactions to these jobs. Although there is some discrepancy regarding the relative importance of the various core characteristics, these tests have generally been very supportive of the basic prediction of the model—workers tend to respond more favourably to jobs that are higher in motivating potential.[38] Where the model seems to falter is in its predictions about growth needs and context satisfaction. Evidence that these factors influence reactions to job design is weak or contradictory.[39]

Job Enrichment

Job enrichment is the design of jobs to enhance intrinsic motivation, the quality of working life, and job involvement. **Job involvement** refers to the extent to which an individual identifies psychologically with his or her work and the importance of work to an individual's total self-image. Employees who have enriched jobs tend to have higher levels of job involvement, and job involvement is positively related to job satisfaction and organizational commitment. Furthermore, employees who are more involved in their job are less likely to quit.[40]

Job enrichment. The design of jobs to enhance intrinsic motivation, quality of working life, and job involvement.

Job involvement. The extent to which an individual identifies psychologically with his/her work and the importance of work to one's total self-image.

WestJet is a good example of the benefits of job enrichment. As indicated in the chapter opening vignette, WestJet employees have a high degree of latitude in how they perform their jobs, without interference from supervisors, and they make decisions about what they do and how they do it. This helps to explain the high degree of job involvement and positive job attitudes among WestJet employees, as well as the company's low rate of turnover.

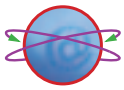
In general, job enrichment involves increasing the motivating potential of jobs via the arrangement of their core characteristics. There are no hard and fast rules for the enrichment of jobs. Specific enrichment procedures depend on a careful diagnosis of the work to be accomplished, the available technology, and the organizational context in which enrichment is to take place. However, many job enrichment schemes combine tasks, establish client relationships, reduce supervision, form teams, or make feedback more direct.[41]

- *Combining tasks*. This involves assigning tasks that might be performed by different workers to a single individual. For example, in a furniture factory a lathe operator, an assembler, a sander, and a stainer might become four "chair makers"; each worker would then do all four tasks. Such a strategy should

increase the variety of skills employed and might contribute to task identity as each worker approaches doing a unified job from start to finish.

- *Establishing external client relationships.* This involves putting employees in touch with people outside the organization who depend on their products or services. Such a strategy might involve the use of new (interpersonal) skills, increase the identity and significance of the job, and increase feedback about one's performance. Consider this example:

 > At the Duncan Hines angel food cake factory in Jackson, Tennessee, the line workers are given letters from customers who have problems with the product. One factory hand called up a customer whose angel food cake did not rise and helped figure out why by asking such questions as "How long did you beat the mix?" and "At what temperature did you bake it?" Says [Procter & Gamble CEO]: "What we've said to the workers is, this is the only place we make angel food cake, and you're responsible for it, and if you want to talk to the consumer, we'd like you to talk to the consumer."[42]



Duncan Hines
www.duncanhines.com

- *Establishing internal client relationships.* This involves putting employees in touch with people who depend on their products or services within the organization. For example, billers and expediters in a manufacturing firm might be assigned permanently to certain salespeople, rather than working on any salesperson's order as it comes in. The advantages are similar to those mentioned for establishing external client relationships.
- *Reducing supervision or reliance on others.* The goal here is to increase autonomy and control over one's own work. For example, management might permit clerical employees to check their own work for errors instead of having someone else do it. Similarly, firms might allow workers to order needed supplies or contract for outside services up to some dollar amount without obtaining permission. As indicated earlier, the lack of interference from supervisors at WestJet is an example of this job enrichment technique.
- *Forming work teams.* Management can use this format as an alternative to a sequence of "small" jobs that individual workers perform when a product or service is too large or complex for one person to complete alone. For example, social workers who have particular skills might operate as a true team to assist a particular client, rather than passing the client from person to person. Similarly, stable teams can form to construct an entire product, such as a car or boat, in lieu of an assembly-line approach. Such approaches should lead to the formal and informal development of a variety of skills and increase the identity of the job.
- *Making feedback more direct.* This technique is usually used in conjunction with other job design aspects that permit workers to be identified with their "own" product or service. For example, an electronics firm might have assemblers "sign" their output on a tag that includes an address and toll-free phone number. If a customer encounters problems, he or she contacts the assembler directly. In Sweden, workers who build trucks by team assembly are responsible for service and warranty work on "their" trucks that are sold locally.

Potential Problems with Job Enrichment

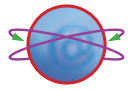
Despite the theoretical attractiveness of job enrichment as a motivational strategy, and despite the fact that many organizations have experimented with such programs, enrichment can encounter a number of challenging problems.

Poor Diagnosis. Problems with job enrichment can occur when it is instituted without a careful diagnosis of the needs of the organization and the particular jobs

in question. Some enrichment attempts might be half-hearted tactical exercises that really do not increase the motivating potential of the job adequately. An especially likely error here is increasing job breadth (variety), while leaving the other crucial core characteristics unchanged. Thus, workers are simply given *more* boring, fragmented, routine tasks to do, such as bolting intake manifolds and water pumps onto engines. On the other side of the coin, in their zeal to use enrichment as a cure-all, organizations might attempt to enrich jobs that are already perceived as too rich by their incumbents. This has happened in some "downsized" firms in which the remaining managers have been assigned too many extra responsibilities.

Lack of Desire or Skill. Put simply, some workers do not *desire* enriched jobs. Almost by definition, enrichment places greater demands on workers, and some might not relish this extra responsibility. Even when people have no basic objections to enrichment in theory, they might lack the skills and competence necessary to perform enriched jobs effectively. Thus, for some poorly educated or trained workforces, enrichment might entail substantial training costs. In addition, it might be difficult to train some workers in certain skills required by enriched jobs, such as social skills. For example, part of the job enrichment scheme at a Philips television manufacturing plant in The Netherlands required TV assemblers to initiate contacts with high-status staff members in other departments when they encountered problems. This is an example of the establishment of an internal client relationship, and many workers found this job requirement threatening.[43]

Demand for Rewards. Occasionally, workers who experience job enrichment ask that greater extrinsic rewards, such as pay, accompany their redesigned jobs. Most frequently, this desire is probably prompted by the fact that such jobs require the development of new skills and entail greater responsibility. For example, one enrichment exercise for clerical jobs in a U.S. government agency encountered this reaction.[44] Sometimes, such requests are motivated by the wish to share in the financial benefits of a successful enrichment exercise. In one documented case, workers with radically enriched jobs in a General Foods dog food plant in Topeka sought a financial bonus based on the system's success.[45] Equity in action!



General Foods Ltd.
www.ruchigroup.com/gfl

Union Resistance. Traditionally, North American unions have not been enthusiastic about job enrichment. In part, this is due to a historical focus on negotiating with management about easily quantified extrinsic motivators, such as money, rather than the soft stuff of job design. Also, unions have tended to equate the narrow division of labour with preserving jobs for their members. Faced with global competition, the need for flexibility, and the need for employee initiative to foster quality, companies and unions have begun to dismantle restrictive contract provisions regarding job design. Fewer job classifications mean more opportunities for flexibility by combining tasks and using team approaches.

Supervisory Resistance. Even when enrichment schemes are carefully implemented to truly enhance the motivating potential of deserving jobs, they might fail because of their unanticipated impact on other jobs or other parts of the organizational system. A key problem here concerns the supervisors of the workers whose jobs have been enriched. By definition, enrichment increases the autonomy of employees. Unfortunately, such a change might "disenrich" the boss's job, a consequence that will hardly facilitate the smooth implementation of the job redesign. Some organizations have responded to this problem by effectively doing away with direct supervision of workers performing enriched jobs. Others use the supervisor as a trainer and developer of individuals on enriched jobs. Enrichment can increase the need for this supervisory function.

Management by Objectives

In Chapter 5, we discussed goal setting theory, which states that a specific, challenging goal is established to solve a particular performance problem. In this basic form, goal setting is rather lacking in the potential to assist in employee development over time. Usually, management makes no particular provisions for counselling employees in goal accomplishment or for changing goals in some systematic manner as the need arises. It might also occur to you that certain jobs require the simultaneous accomplishment of *several* goals, and that managers and employees might differ in the importance that they attach to these goals or disagree about how to evaluate goal accomplishment. This is particularly likely in the more complex jobs that exist at higher levels in the organization, such as management jobs and staff jobs (e.g., the human resource department or the research and development department).

Management by Objectives (MBO). An elaborate, systematic, ongoing program designed to facilitate goal establishment, goal accomplishment, and employee development.

Management by Objectives (MBO) is an elaborate, systematic, ongoing management program designed to facilitate goal establishment, goal accomplishment, and employee development.[46] The concept was developed by management theorist Peter Drucker. The objectives in MBO are simply another label for goals. In a well-designed MBO program, objectives for the organization as a whole are developed by top management and diffused down through the organization through the MBO process. In this manner, organizational objectives are translated into specific behavioural objectives for individual members. Our primary focus here is with the nature of the interaction between managers and individual workers in an MBO program. Although there are many variations on the MBO theme, most manager–employee interactions share the following similarities:

1. The manager meets with individual workers to develop and agree on employee objectives for the coming months. These objectives usually involve both current job performance and personal development that may prepare the worker to perform other tasks or seek promotion. The objectives are made as specific as possible and quantified, if feasible, to assist in subsequent evaluation of accomplishment. Time frames for accomplishment are specified, and the objectives may be given priority according to their agreed importance. The methods to achieve the objectives might or might not be topics of discussion. Objectives, time frames, and priorities are put in writing.
2. There are periodic meetings to monitor employee progress in achieving objectives. During these meetings, people can modify objectives if new needs or problems are encountered.
3. An appraisal meeting is held to evaluate the extent to which the agreed objectives have been achieved. Special emphasis is placed on diagnosing the reasons for success or failure so that the meeting serves as a learning experience for both parties.
4. The MBO cycle is repeated.

An example of a simple MBO objectives form is shown in Exhibit 6.8. Plant manager John Atkins has met with company president Freda Cranford and agreed on eight objectives for the coming months. Notice that these objectives are specific and in most cases quantified. Objectives 7 and 8 are personal development objectives, while the others are performance objectives. The objectives have been given "A" priority or "B" priority (column 2) and a specific deadline for accomplishment (column 3). In his own role as a manager, Atkins would probably use some of these objectives as a basis for establishing the objectives of his employees. Thus, objectives 1 through 6 would become the basis of even more specific goals for the production manager, the shipping manager, and the human resource manager who report to Atkins. Thus, the MBO program diffuses a goal orientation throughout the organization.

Manager's job title

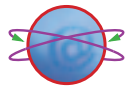
John Atkins — Prepared by the Manager — 7/2 Date — PLANT MANAGER Managerial Job Objectives

F. W. Cranford — Reviewed by Supervisor — 7/2 Date — PRESIDENT Supervisor's Job Title

Statement of Objectives	Priority	Deadline	Outcomes or Results
1. To Increase Deliveries to 98% of All Scheduled Delivery Dates	A	6/31	
2. To Reduce Waste and Spoilage to 3% of All Raw Materials Used	A	6/31	
3. To Reduce Lost Time Due to Accidents to 100 Person-Days/Year	B	2/1	
4. To Reduce Operating Cost to 10% Below Budget	A	1/15	
5. To Install a Quality Control Radioisotope System at a Cost of Less Than $53,000	A	3/15	
6. To Improve Production Scheduling and Preventative Maintenance so as to Increase Machine Utilization Time to 95% of Capacity	B	10/1	
7. To Complete the UCLA Executive Program This Year	A	6/31	
8. To Teach a Production Management Course in University Extension	B	6/31	

Exhibit 6.8
A simple format for recording objectives in an MBO program.

Source: Adapted from Raja, A. P. (1974). *Managing by objectives*. Glenview, IL: Scott, Foresman, © 1974, p. 60. Reprinted by permission.



Janssen-Ortho Inc.
www.janssen-ortho.com

Over the years, a wide variety of organizations have implemented MBO, including Kodak Australasia, Paul Revere Life, the U.S. Air Force, and the Colorado State Patrol. At Toronto-based pharmaceutical firm Janssen-Ortho Inc., each employee's goals are tied to a list of corporate objectives. Employees can earn a yearly bonus of up to 20 percent if they and the company meet their goals. Overall, the research evidence shows clear productivity gains.[47] However, a number of factors are associated with the failure of MBO programs. For one thing, MBO is an elaborate, difficult, time-consuming process, and its implementation must have the full commitment of top management. One careful review showed a 56 percent average gain in productivity for programs with high top management commitment and a 6 percent gain for those with low commitment.[48] If such commitment is absent, managers at lower levels simply go through the motions of practising MBO. At the very least, this reaction will lead to the haphazard specification of objectives and thus subvert the very core of MBO—goal setting. A frequent symptom of this degeneration is the complaint that MBO is "just a bunch of paperwork."[49] Indeed, at this stage, it is!

Even with the best of intentions, setting specific, quantified objectives can be a difficult process. This might lead to an overemphasis on measurable objectives at the expense of more qualitative objectives. For example, it might be much easier to agree on production goals than on goals that involve employee development, although both might be equally important. Also, excessive short-term orientation can be a problem with MBO. Finally, even if reasonable objectives are established, MBO can still be subverted if the performance review becomes an exercise in browbeating or punishing employees for failure to achieve objectives.[50]

Alternative Working Schedules as Motivators for a Diverse Workforce

Most Canadians work a five-day week of approximately 40 hours—the "nine-to-five grind." However, many organizations have begun to experiment with modifying these traditional working schedules. The purpose of these modifications is not to motivate people to work harder and thus produce direct performance benefits. Rather, the purpose is to meet diverse workforce needs and promote job satisfaction. In turn, this should facilitate recruiting the best personnel and reduce costly absenteeism and turnover. For example, realizing that the traditional banking approach of rigid schedules and inattention to employee's personal preferences was driving staff away and compromising customer service, the Royal Bank of Canada made some major changes to its human resource policies. As a result, the bank now offers its employees flexible work hours, compressed workweeks, job sharing, telecommuting, and other innovative work arrangements. These changes appear to be paying off. Employees are happier, more customers are giving the bank their business, and the bank has been ranked as the most respected company in Canada.[51] Let us now look more closely at alternative working schedules.

Royal Bank of Canada
www.royalbank.com

Flex-Time

Flex-time. An alternative work schedule in which arrival and quitting times are flexible.

One alternative to traditional working schedules is **flex-time**, which was first introduced on a large scale in Europe. In its most simple and common form, management requires employees to report for work on each working day and work a given number of hours. However, the times at which they arrive and leave are flexible, as long as they are present during certain core times. For example, companies might permit employees to begin their day anytime after 7 a.m. and work until 6 p.m., as long as they put in eight hours and are present during the core times of 9:15 until noon and 2 until 4:15 (Exhibit 6.9). Other systems permit employees to tally hours on a weekly or monthly basis, although they are still usually required to be present during the core time of each working day.[52]

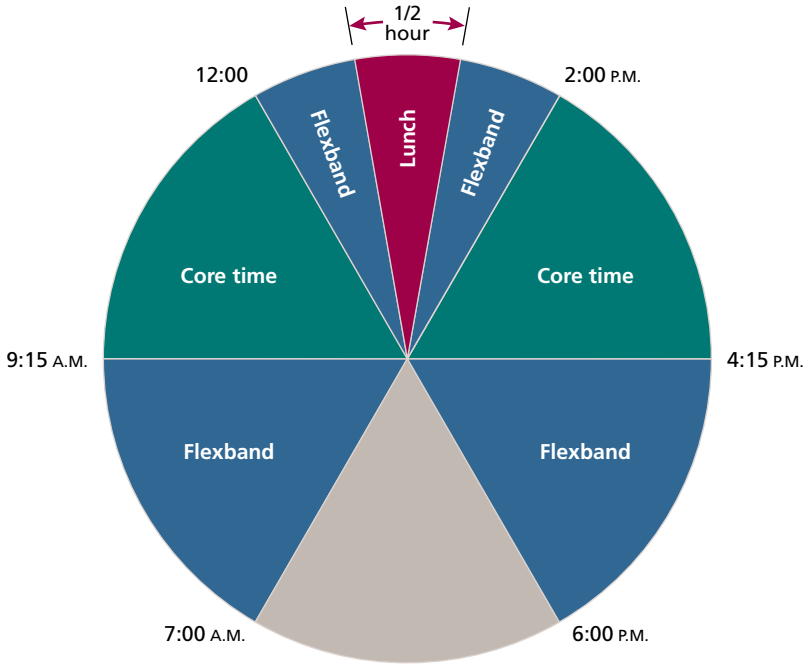


Exhibit 6.9
An example of a flex-time schedule.

Source: Adapted from Ronen, S. (1981). *Flexible working hours: An innovation in the quality of work life*. New York: McGraw-Hill, p. 42. Reprinted by permission.



Source: David Harbaugh

Flex-time is obviously well suited to meeting the needs of a diverse work-force, since it allows employees to tailor arrival and departure times to their own transportation and child-care situation. It should reduce absenteeism, since employees can handle personal matters during conventional business hours.[53] Also, flexible working hours signal a degree of prestige and trust that is usually reserved for executives and professionals.

When jobs are highly interdependent, such as on an assembly line, flex-time becomes an unlikely strategy. To cite an even more extreme example, we simply cannot have members of a hospital operating room team showing up for work whenever it suits them! In addition, flex-time might lead to problems in achieving adequate supervisory coverage. For these reasons, not surprisingly, flex-time is most frequently implemented in office environments. For instance, in a bank, the core hours might be when the bank is open to the public.

Although flex-time has generally been limited to white-collar personnel, it has been applied in a variety of organizations, including insurance companies (Metropolitan Life), financial institutions (Boston's State Street Bank), and government offices (many American states, Canadian and American civil service). As we noted in Chapter 5, Starbucks offers flex-time to all its employees. According to a recent survey, 66 percent of organizations offered flexible work schedules.[54]

We can draw a number of conclusions from the research on flex-time.[55] First, employees who work under flex-time almost always prefer the system to fixed hours. In addition, work attitudes generally become more positive, and employers report minimal abuse of the arrangement. When measured, absenteeism and tardiness have often shown decreases following the introduction of flex-time, and first-line supervisors and managers are usually positively inclined toward the system. Interestingly, slight productivity gains are often reported under flex-time, probably due to better use of scarce resources or equipment rather than to increased motivation. In fact, a recent review of research on flex-time concluded that it has a positive effect on productivity, job satisfaction, satisfaction with work schedule, and lowers employee absenteeism.[56]

Compressed Workweek

Compressed workweek. An alternative work schedule in which employees work fewer than the normal five days a week but still put in a normal number of hours per week.

A second alternative to traditional working schedules is the **compressed workweek**. This system compresses the hours worked each week into fewer days. The most common compressed workweek is the 4–40 system, in which employees work four 10-hour days each week rather than the traditional five eight-hour days. Thus, the organization or department might operate Monday through Thursday or Tuesday through Friday, although rotation schemes that keep the organization open five days a week are also employed.[57] Printer Quad/Graphics uses a 3–36 system with three 12-hour days a week.

Like flex-time, the shorter workweek might be expected to reduce absenteeism because employees can pursue personal business or family matters in what had been working time. In addition, the 4–40 schedule reduces commuting costs and time by 20 percent and provides an extra day a week for leisure or family pursuits. Although the longer workday could pose a problem for single parents, a working couple with staggered off-days could actually provide their own child care on two of five "working" days.

Technical roadblocks to the implementation of the 4–40 workweek include the possibility of reduced customer service and the negative effects of fatigue that can accompany longer working days. The latter problem is likely to be especially acute when the work is strenuous.

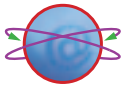
Although research on the effects of the four-day week is less extensive than that for flex-time, a couple of conclusions do stand out.[58] First, people who have experienced the four-day system seem to *like* it. Sometimes this liking is accompanied by increased job satisfaction, but the effect might be short-lived.[59] In many cases, the impact of the compressed workweek might be better for family life than for work life. Second, workers have often reported an increase in fatigue following the introduction of the compressed week. This might be responsible for the uneven impact of the system on absenteeism, sometimes decreasing it and sometimes not. Potential gains in attendance might be nullified as workers take an occasional day off to recuperate from fatigue.[60] Finally, the more sophisticated research studies do not report lasting changes in productivity due to the short workweek.[61] According to the most recent review of research on the compressed workweek, there is a positive effect on job satisfaction and satisfaction with work schedule but no effect on absenteeism or productivity.[62]

Job Sharing

Job sharing. An alternative work schedule in which two part-time employees divide the work of a full-time job.

Job sharing occurs when two part-time employees divide the work (and perhaps the benefits) of a full-time job.[63] The two can share all aspects of the job equally, or some kind of complementary arrangement can occur in which one party does some tasks and the co-holder does other tasks.

Job sharing is obviously attractive to people who want to spend more time with small children or sick elders than a conventional five-day-a-week routine permits. By the same token, it can enable organizations to attract and/or retain highly capable employees who might otherwise decide against full-time employment.



NORDX/CDT
www.nordx.com

Job sharing is also an effective strategy for avoiding layoffs. For example, NORDX/CDT, a Montreal-based firm that makes cables used in fibre-optic networks, introduced a job sharing program sponsored by the federal government to cut costs while keeping workers employed. The program reduces the workweek by one to three days for some employees over a short-term period; 272 employees work one day less per week. Employees receive employment-insurance benefits for the days they are not working. Other companies, such as Air Canada, have also participated in the government program, enabling them to reduce the number of employees laid off. The government program has saved thousands of jobs in recent years, including many in the technology sector.[64]



There is virtually no hard research on job sharing. However, anecdotal reports suggest that the job sharers must make a concerted effort to communicate well with each other as well as with superiors, co-workers, and clients. Such communication is greatly facilitated by contemporary computer technology and voice mail. However, coordination problems are bound to occur if there is not adequate communication. Also, problems with performance appraisal can occur when two individuals share one job.

Telecommuting

In recent years, an increasing number of organizations have begun to consider the concept of telecommuting, or what is sometimes called "telework." By **telecommuting**, employees are able to work at home but stay in touch with their offices through the use of communications technology, such as a computer network, voice mail, and electronic messages.[65] Like the other types of alternative working arrangements, telecommuting provides workers with greater flexibility in their work schedules.

Telecommuting. A system by which employees are able to work at home but stay in touch with their offices through the use of communications technology, such as a computer network, voice mail, and electronic messages.

Many companies first began implementing telecommuting in response to the Clean Air Act and the Americans with Disabilities Act in the United States, as well as in response to employee requests for more flexible work arrangements.[66] With the growth in communication technologies, however, other factors have also influenced the spread of telecommuting. For example, telecommuting is changing the way that organizations recruit and hire people. With telecommuting as an option, companies can now hire the best person for a job regardless of where they live in the world, through *distant staffing*.[67] Distant staffing enables employees to work for a company without ever having to come into the office or even be in the same country!

Today, it is estimated that approximately 11 million North Americans are telecommuting, and 51 percent of North American companies offer some form of telecommuting, including one in four Fortune 1000 companies.[68] At Northern Telecom, the company supplies employees with a complete home office set-up that includes a computer, furniture, a data link, telephone lines, a printer, and a fax machine.[69]

Although research on telecommuting is limited, it is believed to have a number of advantages for employees and organizations. Organizations benefit from lower

costs as a result of a reduction in turnover and the need for less office space and equipment, and they can attract employees who see it as a desirable benefit.[70] On the basis of a survey of over 3,000 Pacific Bell managers, telecommuting was expected to increase job satisfaction and productivity and to decrease stress. Many felt that telecommuting would enhance productivity because of fewer interruptions (i.e., less unscheduled informal communication), and there is some evidence that telecommuting does increase employee productivity.[71] As well, managers linked stress reduction to the opportunity to avoid grinding commutes in urban areas. In fact, the results of a recent survey found that telecommuting did have a positive effect on productivity, flexibility, and work–life balance.[72]

Some negative aspects of telecommuting, although not strongly endorsed, centred on its potential damage to informal communication. These included decreased visibility when promotions were considered, problems in handling rush projects, and workload spillover for nontelecommuters.[73] Other potential problems include distractions in the home environment, feelings of isolation, and overwork. As a result, telecommuting failures have been reported to be as high as 50 percent.[74]

Despite the potential benefits and the growing popularity of telecommuting, many companies are hesitant to implement telecommuting programs because of concerns about trust and control. Many managers are uncomfortable with the prospect of not being able to keep an eye on their employees while they work.[75] Therefore, it is important that there is a strong perception of trust between employees and management as well as careful planning and clear guidelines before an organization implements a telecommuting program. One important factor along these lines is whether or not the program is formal or informal. To find out more, see "Applied Focus: *Telecommuting at Nortel Networks and the Ministry of Finance in British Columbia*."

Motivation Practices in Perspective

As the earlier sections illustrate, organizations have a lot of options when it comes to using money, job design, Management by Objectives, and alternative working schedules as motivators. Confused about when to do what? The concepts of *fit* and *balance* can help resolve this confusion. First, the motivational systems chosen should have a good fit with the strategic goals of the organization. Ultimately, speed, quality, and volume of output involve some tradeoffs, and we will not achieve one of these outcomes if we reward another. Second, balance among the components of a motivational system is critical. Job design and work schedules must allow employees to achieve the goals that are set, and the reward system needs to be directed toward this achievement.

As we indicated in Chapter 1, there are no simple formulas to improve employee attitudes and performance or a set of laws of organizational behaviour that can be used to solve organizational problems. Like all of organizational behaviour, when it comes to employee motivation, there is no "cookbook" to follow. Thus, while many of the best companies to work for in Canada use the motivational practices described in this chapter, this does not mean that these practices will always be effective or that other organizations should follow suit. Clearly, the motivational practices used by the best companies are effective because they *fit* into and are part of a larger organizational system. For example, the motivational practices of WestJet described at the beginning of the chapter are part of larger organizational culture that fosters a family atmosphere and a desire to maximize profits.

The choice of motivational practices requires a thorough diagnosis of the organization as well as a consideration of employee needs. Keep in mind the relevance of the theories of motivation discussed in Chapter 5. Employees will be motivated by things that will fulfill their needs (need theory) and that they find highly valent

APPLIED FOCUS

Telecommuting at Nortel Networks and the Ministry of Finance in British Columbia

Telecommuting has become a popular work arrangement in many Canadian organizations. It is estimated that over one million Canadians telecommute by working several days a week out of the office. Although about 80 percent of telecommuting is done informally without a written agreement, some companies, such as Nortel Networks and the Ministry of Finance in British Columbia, have formal telecommuting programs.

Nortel began telecommuting in 1995 with 250 trial teleworkers. Today, 15,000 of the company's 80,000 employees telecommute. The goal is to make telecommuters out of all employees in certain types of jobs, such as sales, engineering, and software programming.

The company allows managers and employees to decide if telecommuting will work for a particular situation. Once a worker receives the green light, Nortel supplies the home office with a computer and other related equipment, high-speed Internet access, ergonomic furniture, and technical support. Employees also receive guidance and attend a telecommuting training program.

For example, a Nortel software engineer working at home would typically receive instructions on a project (perhaps by courier, computer download or e-mail), keep in touch with other team members by phone, and send completed work to a central computer which may be in a different city or even country.

Nortel has also been leading the way in distant staffing, employing people in distant locations who telecommute. In 1994, the company wanted to hire a vice president for global enterprise services, but he refused to leave Philadelphia to go to the Nashville, Tennessee-based service operation. As a result, Nortel reached an agreement that allowed him to work from home while managing a staff of approximately 2,000 people. He interacts with his staff using high-speed data links into his house for videoconferencing.

At Nortel, telecommuting is considered a win–win situation. The company believes that the practice has increased employee satisfaction and productivity and has also saved the company about $20 million a year in real-estate space. The company also saves about 8.5 million kilometres of commuting a year, saving the atmosphere from huge amounts of pollutants each year.

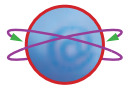
The Ministry of Finance in British Columbia also has a formal telecommuting program. Like Nortel, the Ministry supplies employees with the necessary technology as well as with office equipment and furniture. In addition, supervisors from the Ministry inspect the home office to make sure it is private, safe, and secure. Employees sign a legal agreement that outlines the rules and expectations. This formal agreement sets out the terms of the arrangement, including provisions for safety regulations and hours of work.

Formal arrangements such as those at Nortel and B.C.'s Ministry of Finance are important because they indicate the company's support and trust in the employee as well as the expectations of both parties. Although such formal arrangements may delay the point at which workers can start telecommuting, legal agreements can prevent many of the problems that often arise from informal telecommuting programs.

Sources: Grensing-Pophal, L. (1997). Employing the best people—from afar. *Workforce, 76*(3), 30–38; Mann, J. (2000, November 22). Telecommuting redefines the office. *The Gazette,* p. E5 (South Florida Sun-Sentinel); Southworth, N. (2001, April 4). Informality governs most telecommuters. *The Globe and Mail*, p. B11.

(expectancy theory). It is therefore important to understand employees' needs, the nature of jobs, organizational characteristics, and the primary motivational outcome that an organization wants to obtain. For example, many employees who perform relatively simple tasks do not wish to have their jobs enriched. As a result, linking pay to performance would be a more effective motivational practice than job enrichment. Similarly, young employees in the early stages of their career tend to prefer challenging and enriched job opportunities, while those with young families prefer alternative working schedules.

The nature of the job will also influence the choice of a motivational practice. For example, jobs that require knowledge and skill upgrading lend themselves to a skill-based pay system, and jobs in which it is possible to identify the outputs of individuals are better suited to piece-rate plans. In terms of organizational characteristics, alternative working schedules are effective for organizations where diversity is a top priority, while organizations that are most concerned with the alignment



Nortel Networks
www.nortelnetworks.com

of employee and organization goals would be more likely to benefit from profit sharing, employee stock ownership programs, and management by objectives.

It is also important to consider the motivational outcome of most importance to an organization. That is, what is it that the organization wants employees to be motivated to do? In this regard, pay-for-performance systems are most effective for increasing employee performance and productivity. Skill-based pay systems are effective when an organization wants to motivate employees to continuously learn

the manager's Notebook

Employees Oppose Merit Pay Plan at Hudson's Bay Company

1. More than 800 sales and clerical staff in five Ontario stores revolted against the plan to introduce the merit pay system. Although the company claimed that the purpose of a pay-for-performance program was to improve service and increase sales, the striking employees said that the plan would open them up to the abuses of favouritism and bias by management. CAW national representative Bill Gibson said, "Workers are entitled to know what their wages will be" without worrying that "their supervisor doesn't like them or because a change in corporate accounting practice changes the profit statement."

 Employee reactions can be understood in terms of three aspects of organizational behaviour. First, it appears that employees did not believe that pay would in fact be linked to performance. Recall that this is one of the reasons why merit pay plans are often ineffective. This is due in part to poor performance appraisals that do not accurately measure employees' performance. Second, the fact that employees believe that favouritism and bias will determine their pay suggests a lack of trust in management. Recall from Chapter 3 that trust has to do with perceptions of management ability, benevolence, and integrity. Thus, employees might not trust management because they do not believe that management has the competence to evaluate their performance; they do not believe that management is concerned about their interests and is willing to do good for them; and they do not believe that management adheres to a set of values and principles that they find acceptable.

 Finally, employees obviously do not believe that a merit pay plan will be fair. Based on the discussion of fairness in Chapter 4, it would seem that employees have low perceptions of procedural and distributive justice. That is, they do not believe that fair procedures will be used to determine their merit pay, and they do not believe that the amount of pay they receive under a merit pay plan will be fair.

2. The strike lasted two weeks and did not end until management backed down and resurrected the flat-wage system. Whether or not the system would have motivated employees and improved service and sales if they had not opposed the system is difficult to say. However, it is clear that implementing a system without employee input and involvement is doomed to failure. Perhaps if employees had participated in the development of the new pay system they would have accepted it. It might also have helped if a new performance appraisal system was designed, to reduce perceptual errors and biases in the evaluation of employees' performance and to increase the fairness and accuracy of performance ratings. Recall from Chapter 3 that behaviourally anchored rating scales are designed for this purpose. Replacing a performance appraisal system with a new system that is fair, accurate, and linked to rewards has been found to be more acceptable to employees, and to increase perceptions of trust towards management. It would also help if procedures were implemented to ensure perceptions of procedural fairness as described in Chapter 4. This, along with a new performance appraisal system would have helped to create more positive perceptions of distributive and procedural fairness. Finally, it is also important to recognize that introducing a merit pay system based on individual performance might not fit an organization's culture. In some cases, it might be better to design a group-based merit pay program rather than an individual-based system. Employees at HBC might have been more accepting of the merit pay plan if it had been based on department performance rather than individual performance. Combining a group merit system along with some friendly competition between departments might be more acceptable, motivational, and more likely to improve service and sales.

and acquire new knowledge and skills. Job enrichment and alternative working schedules tend to be effective for increasing employees' motivation to remain employed in an organization.

In summary, while there are many motivational practices that organizations can employ to motivate their workforce, it is important to keep in mind that the most effective approach will depend on a combination of factors, including employees' needs, the nature of the job, characteristics of the organization, and the motivational outcome that an organization wants to achieve.

Learning Objectives Checklist

1. Money should be most effective as a motivator when it is made contingent on performance. Schemes to link pay to performance on production jobs are called *wage incentive plans*. Piece-rate, in which workers are paid a certain amount of money for each item produced, is the prototype of all wage incentive plans. In general, wage incentives increase productivity, but their introduction can be accompanied by a number of problems, one of which is the restriction of production.
2. Attempts to link pay to performance on white-collar jobs are called *merit pay plans*. Evidence suggests that many merit pay plans are less effective than they could be because merit pay is inadequate, performance ratings are mistrusted, or extreme secrecy about pay levels prevails.
3. Compensation plans to enhance teamwork include *profit sharing, employee stock ownership, gainsharing,* and *skill-based pay.* Each of these plans has a different motivational focus, so organizations must choose a plan that supports their strategic needs.
4. Recent views advocate increasing the scope (breadth and depth) of jobs to capitalize on their inherent motivational properties, as opposed to the job simplification of the past. The Job Characteristics Model, developed by Hackman and Oldham, suggests that jobs have five core characteristics that affect their motivating potential: *skill variety, task identity, task significance, autonomy,* and *feedback*. When jobs are high in these characteristics, favourable motivational and attitudinal consequences should occur.
5. *Job enrichment* involves designing jobs to enhance intrinsic motivation, *job involvement,* and the quality of working life. Some specific enrichment techniques include combining tasks, establishing client relationships, reducing supervision and reliance on others, forming work teams, and making feedback more direct.
6. *Management by Objectives* (MBO) is an elaborate goal-setting and evaluation process that organizations typically use for management jobs. Objectives for the organization as a whole are developed by top management and diffused down through the organization and translated into specific behavioural objectives for individual members.
7. Some organizations have adopted alternative working schedules, such as *flex-time, compressed workweek, job sharing,* or *telecommuting,* with expectations of motivational benefits. Although these schemes should have little effect on productivity, they have the potential to reduce absenteeism and turnover and to enhance the quality of working life for a diverse workforce.
8. Organizations need to conduct a diagnosis to determine the motivational practice that will be most effective. This requires a consideration of the needs of employees, the nature of the job, organizational characteristics, and the motivational outcome that is of most concern and desired by the organization.

Discussion Questions

1. Describe some jobs for which you think it would be difficult to link pay to performance. What is it about these jobs that provokes this difficulty?
2. Imagine two insurance companies that have merit pay plans for salaried white-collar personnel. In

one organization, the plan truly rewards good performers, while in the other it does not. Both companies decide to make salaries completely public. What will be the consequences of such a change for each company? (Be specific, using concepts such as expectancy, instrumentality, job satisfaction, and turnover.)

3. You are, of course, familiar with the annual lists of the world's 10 worst-dressed people or the 10 worst movies. Here's a new one: A job enrichment consultant has developed a list of the 10 worst jobs, which includes a highway toll collector, pool typist, bank guard, and elevator operator. Use the five core job characteristics to describe each of these jobs. Could you enrich any of these jobs? How? Which should be completely automated? Can you add some jobs to the list?
4. What are the essential distinctions between gainsharing, profit sharing, and employee stock ownership?
5. Some observers have argued that the jobs of the Prime Minister of Canada and the President of the United States are "too big" for one person to perform adequately. This probably means that the jobs are perceived as having too much scope or being too enriched. Use the Job Characteristics Model to explore the accuracy of this contention.
6. Imagine an office setting in which a change to a four-day week, flex-time, or telecommuting would appear to be equally feasible to introduce. What would be the pros and cons of each system? How would factors such as the nature of the business, the age of the workforce, and the average commuting distance affect the choice of systems?
7. How is the concept of workforce diversity related to the motivational techniques discussed in the chapter?
8. Why does WestJet use some motivational practices and not others? Review the chapter opening vignette and explain the extent to which the motivational practices used by WestJet "fit" the organization and the extent to which they will work in other organizations. Describe situations in which you think WestJet's motivational practices will be effective and situations in which you think they will be less effective.

Integrative Discussion Questions

1. Merit pay plans often require that managers conduct performance evaluations of their employees in order to determine the amount of merit pay to be awarded. Discuss some of the perceptual problems and biases described in Chapter 3 that could create problems for a merit pay plan. What can be done to improve performance evaluations and the success of merit pay plans?
2. Using each of the motivation theories described in Chapter 5, explain how job design and job enrichment can be motivational. According to each theory, when is job design and job enrichment most likely to be effective for motivating workers?
3. In Chapter 2, employee recognition programs were discussed as an organizational learning practice. Using the material presented in this chapter, describe the potential for employee recognition programs as a motivational practice. What aspects of employee recognition programs might be especially important for a motivational program?

Experiential Exercise

Choose Your Job

People differ in the kinds of jobs they prefer. The following questions give you a chance to consider just what it is about a job that is most important to *you*. For each question, indicate the extent to which you would prefer Job A or Job B if you had to make a choice between them. In answering, assume that everything else about the two jobs is the same except the characteristics being compared. There are no "correct" answers. Just give your personal choice.

—1— Strongly Prefer A	—2— Slightly Prefer A	—3— Neutral	—4— Slightly Prefer B	—5— Strongly Prefer B

	JOB A	JOB B
_____	1. A job where the pay is very good.	A job where there is considerable opportunity to be creative and innovative.
_____	2. A job where you are often required to make important decisions.	A job with many pleasant people to work with.
_____	3. A job in which greater responsibility is given to those who do the best work.	A job in which greater responsibility is given to loyal employees who have the most seniority.
_____	4. A job in an organization which is in financial trouble—and might have to close down within the year.	A job in which you are not allowed to have any say whatever in how your work is scheduled, or in the procedures to be used in carrying it out.
_____	5. A very routine job.	A job where your co-workers are not very friendly.
_____	6. A job with a supervisor who is often very critical of you and your work in front of other people.	A job which prevents you from using a number of skills that you worked hard to develop.
_____	7. A job with a supervisor who respects you and treats you fairly.	A job which provides constant opportunities for you to learn new and interesting things.
_____	8. A job where there is a real chance you could be laid off.	A job with very little chance to do challenging work.
_____	9. A job in which there is a real chance for you to develop new skills and advance in the organization.	A job which provides lots of vacation time and an excellent fringe benefit package.
_____	10. A job with little freedom and independence to do your work in the way you think best.	A job where the working conditions are poor.
_____	11. A job with very satisfying teamwork.	A job which allows you to use your skills and abilities to the fullest extent.
_____	12. A job which offers little or no challenge.	A job which requires you to be completely isolated from co-workers.

Scoring and Interpretation

These questions make up the growth need strength measure from J. Richard Hackman and Greg Oldham's Job Diagnostic Survey. To determine your own growth need strength, first subtract your responses on items 2, 3, 4, 6, 8, and 9 from 6. Then, add up the resulting scores on all 12 items and divide the total by 12. This is your growth need strength score. It should fall somewhere between 1 and 5.

People with high growth needs have a strong desire to obtain growth satisfaction from their jobs. The average growth score for thousands of individuals employed in a wide variety of jobs is 4.23. Here are some other growth need norms based on occupation, education, and age.

4.46 White-collar	4.92 Sales
4.00 Blue-collar	4.13 Machine trades
4.92 Middle managers	4.16 Construction
4.62 First-line managers	4.02 High school graduates
4.76 Professional and technical	4.72 University graduates
4.18 Clerical	4.01 Under age 20
	4.25 Ages 20–29

Source: Hackman, J. R., & Oldham, G. R. (1974). *The Job Diagnostic Survey: An instrument for the diagnosis of jobs and the evaluation of job redesign projects*. Yale University Department of Administrative Sciences Technical Report No. 4.

Case Incident

The Junior Accountant

After graduating from business school, Sabrita received a job offer from a large accounting firm to work as a junior accountant. She was ranked in the top 10 and could not have been happier. During the first six months, however, Sabrita began to reconsider her decision to join a large firm. This is how she described her job: Every day her supervisor brought several files for her to audit. He told her exactly in what order to do them and how to plan her day and work. At the end of the day, the supervisor would return to pick up the completed files. The supervisor collected the files from several other junior accountants, and then put them all together and completed the audit himself. The supervisor would then meet the client to review and discuss the audit. Sabrita did not ever meet the clients, and her supervisor never talked about his meeting with them or the final report. Sabrita felt very discouraged and wanted to quit.

1. Describe the job characteristics and critical psychological states of Sabrita's job. According to the Job Characteristics Model, how motivated is Sabrita and what is she likely to do?
2. How would you redesign Sabrita's job to increase its motivating potential? Be sure to describe changes you would make in the core job characteristics as well as job enrichment schemes that you might use to redesign her job.

Case Study

Chang Koh Metal Ptd. Ltd. in China

Chang Koh Metal Engineering Ptd. Ltd. was founded in Singapore in 1982 by Teo Kai San, a first generation Straits-born Chinese. The company's operations were in the production of metal-stamping precision parts. In 1993, the company expanded its operations by establishing a plant in Putian, China, which was the area of China from which Teo Kai San's parents had emigrated. The founder's son, Andrew Teo, was appointed as general manager. Andrew was 29 years old and had an engineering degree from the National University of Singapore. Prior to joining his father's company, Andrew had worked for an American multinational company in Singapore and had progressed to the rank of line manager, a position with substantial authority and responsibility. Andrew joined his father's company because he felt that his success in the multinational was a sign of his skills, indicating that he deserved a senior position in his father's company on the basis of merit rather than family connections. He also felt that the systems and practices he had learned at the mutinational would enable him to bring more updated management practices to Chang Koh Metal.

Since Andrew's father believed it was important to have in a position of authority a person who was knowledgeable about the local area, he appointed a relative from Putian, Jian Wei, as the plant manager to assist Andrew in the plant's operations. A primary reason for choosing China as the site for a plant was the belief that Singaporean Chinese should find it easy to work with the Chinese in China. After all, the two groups shared a common cultural heritage. The other advantages were the readily available supply of labour—Singapore was experiencing full employment, and the company found it difficult to recruit qualified production workers—and the lower operating costs. After a year in China, however, Andrew was not sure the plan to venture there had been wise. Although the labour costs were much lower than in Singapore, productivity was disappointing, and a number of management and labour problems had arisen, which he felt were frustrating his efforts to control the plant efficiently.

Staffing Procedure

Andrew had learned from his previous work experience that it was important to hire the right people with the appropriate qualifications and place them in the positions to which they were best suited in order to ensure smooth operations. But his efforts were hindered by Jian Wei's peculiar hiring practices. To fill open positions, Jian Wei would contact city officials and friends and relatives and ask them for recommendations on who to hire. Most of the time the people hired did not have the skills needed to perform the tasks for which they were hired. Andrew vigorously protested against Jian Wei's practices and instituted formalized procedures to follow in recruitment and selection that called for systematic advertising of positions, evaluation of candidates, and hiring based on qualifications. Jian Wei became upset because he argued that his practices were necessary as a way to keep the channels of communication and mutual exchange open with important officials because the company might need their help in future business dealings. This disagreement created tension between the two men.

Productivity and Quality Issues

The plant in China employed about 150 workers. Andrew adopted the same salary system as he had seen used by his former employer and paid these workers a fixed salary based on the number of hours worked. However, their productivity rates were very low, and the workers demonstrated very little commitment to meeting the company's goals. After three months, Andrew scrapped the salary system and instead instituted a piece-rate system in which the workers were paid a minimum base salary supplemented by an incremental rate for each unit produced above a certain number. In other words, if the workers produced at or below the minimum production standard for the day, they received the minimum wage. If they produced above that rate, they received additional money for each extra piece produced.

For the following two months, Andrew was proud of his innovative management as the results were impressive. Company productivity targets were met, the workers were exerting themselves energetically, and they were even willing to work overtime at the same rate as the usual work day in order to make extra money. However, within a short period of time, he began to receive several complaints from customers about the low quality of the goods they were receiving from the company. Parts that should have been rejected were instead shipped to customers.

In response, Andrew had the quality control and manufacturing specifications printed on large posters and posted around the plant for all to see. He set up a quality control department and implemented 100 percent quality checks. However, all these efforts failed to stop poor-quality products from reaching the customers. As he investigated, he discovered that those in the quality control department were inspecting the parts, but they were passing almost everything that they inspected. He held a training session for the quality control inspectors, pointed out defective parts to them, and had them demonstrate to him that they could distinguish poor quality from good quality. Since it was clear that they could do so, he sent them back to the production floor, convinced that they would now begin to perform as a true quality control unit. Yet within a short period of time it became apparent that the unit was not doing the job any better than before the training session.

Andrew expressed his frustration to Jian Wei and demanded that he take action to improve the situation. Jian Wei protested that the quality control members' actions were completely understandable—they knew that rejected parts would not be added to the total that would count toward the incentive rate compensation and would therefore reduce the wages production workers would receive. They would not take money out of the pockets of the production workers. Andrew felt that the quality control workers should be shown that failure to act would take money out of their own pockets, so he suggested that a system of demerit points be set up for the quality control employees which would lead to deductions from their wages. However, Jian Wei strongly disagreed with the idea, arguing that it was unfair to penalize these employees for doing what they believed was right. Finally, a compromise was reached in which more supervisors were hired for the quality control department to provide closer supervision of the workers. In addition, Andrew arranged to have all final products shipped to Singapore for final inspection before being sent out to customers.

Rules and Regulations

About 15 technicians were responsible for the maintenance of machinery. At any one time, one machine would be set aside for maintenance work. Ninety percent of the time, a machine that was designated as "in maintenance" actually sat unused. To Andrew's dismay, he found that the technicians regularly used the "in maintenance" machine to do moonlighting work to make extra income. To Andrew, this practice was a clear violation of company rules and regulations, a fact that warranted dismissal of the supervisor of the technicians, who had not only condoned the activity but had actually participated in it. Jian Wei supported the employees. He argued that the machine would have been left idle anyway, so what was the harm? All activities were conducted outside normal working hours and the technicians' jobs were not being neglected. No additional costs were incurred by the factory, except in the operation of the machine. Jian Wei thought that, as boss, Andrew needed to show much more understanding and sensitivity to the issue than he had. It was unfair to single one person out for punishment, especially when the company had not suffered any losses. In addition, Jian Wei was dismayed to hear Andrew talk about dismissing an employee. He said that such practice just was not done in China—no true Chinese person would think about removing a person's "iron rice bowl." Reluctantly, Andrew agreed to Jian Wei's recommendation to resolve the issue by transferring the technicians' supervisor to another department.

Problems like these made Andrew very doubtful that the operation in China could ever be turned into a profitable venture. His father had been willing to grant Andrew some time to get the plant up and running before he expected results, but now he was starting to ask questions about why the plant was still losing money and why no trend in the direction of profitability was evident in the financial performance figures. He had recently asked Andrew to come up with a concrete plan to turn the situation around. Andrew was wondering what he could do.

1. Comment on the fixed salary system that Andrew adopted from his former employer. Why was this system not effective for motivating the plant workers?
2. Do you think that scrapping the fixed salary system and replacing it with the piece-rate system was a good idea? What are some of the strengths and weaknesses of the piece-rate system?
3. Why was Andrew unsuccessful in his efforts to improve product quality? Do you think that a system of demerit points and wage deductions of the quality control workers would have been effective? Will more supervisors in the quality control department and shipping products to Singapore for final inspection solve the problem? What do you think would be an effective way to improve product quality?
4. Were cross-cultural differences a factor in the effectiveness of the salary systems? How effective do you think each system would have been if the plant was located in North America?
5. Discuss the potential effects of implementing an MBO program in the plant. Do you think it would improve productivity and solve some of the problems?
6. Are there any conditions under which the piece-rate system might have been more effective?
7. What are some alternative ways to use pay to motivate the workers at the plant? Are there alternatives to the piece-rate system and how effective are they likely to be? What does this case say about using money as a motivator?
8. What should Andrew do now? What would you do?

Source: Begley, T. (1998). Chang Koh Metal Ptd Ltd in China.In G. Oddou and M. Mendenhall (Eds.), *Cases in international organizational behavior*. Malden, MA: Blackwell.

Integrative Case

Ace Technology

At the end of Chapter 1 you were introduced to the Ace Technology Integrative Case. It focused on issues pertaining to managerial roles and organizational behaviour in general. You were also asked to consider the implications of the events at Ace Technology for individuals, groups, and the organization. Now that you have completed Part 2 of the text and the chapters on Individual Behaviour, you can return to the Ace Technology Integrative Case and focus on issues related to learning, job attitudes, motivation, pay systems, and incentive plans by answering the following questions.

Questions

1. What behaviours are employees at Ace Technology expected to learn?
2. Describe the reward and reinforcement strategies being used to change employees' behaviour at Ace Technology. Do you think that employees will change their behaviour? Why or why not?
3. Describe the revamped employee recognition program and evaluate it using the material discussed in Chapter 2 about employee recognition programs. How effective do you think the revamped program will be? How would you revamp the recognition program to make it more effective?
4. Discuss the implications of the new strategy and compensation program for employee job satisfaction in terms of equity theory and distributive and procedural fairness. How will the new system impact distributive and procedural fairness?
5. What are the differences between Ace Technology's "antiquated" and new compensation programs? Consider the implications and effectiveness of the new compensation program according to Maslow's and Alderfer's need theories, expectancy theory, and goal setting theory. What are the advantages and disadvantages of the new program according to each theory?
6. How is money being used to motivate employees at Ace Technology? What other programs might be useful for improving employee motivation?
7. Describe the incentive plans being considered by Ace Technology. What are the potential problems with these incentive plans, and how effective do you think they will be for motivating employees and implementing the new strategy?